

America's Unknown Enemy: Beyond Conspiracy

By the Editorial Staff of the American Institute for Economic Research

Preface to the 1993 Edition

Taken from the School of Cooperative Individualism website

<http://www.cooperativeindividualism.org/index.html>

In the past several years, interest apparently has been rekindled in the view that an elite conspiracy bent on world domination now is directing global events. Concern about such a conspiracy seems to have accelerated especially after Iraq's invasion of Kuwait in August 1990, when President Bush orchestrated United Nations' backing for the Persian Gulf War and made frequent references to a "New World Order." According to conspiracy mavens, that President Bush would publicly reveal his commitment to the "New World Order" simply testified to the haughtiness of the cabal's resolve to shape world events for its own nefarious purposes.

Subsequent events, which have seen President Clinton reinstall in the State Department a number of officials affiliated with organizations said to be directing the conspiracy (such as the Council on Foreign Relations), have simply reconfirmed for "true believers" that the conspiracy lives.

Notions of conspiracy have circulated for many years. As we observed in earlier editions of *America's Unknown Enemy*, however, and as is described in the first eight chapters of this edition, there is little if any support for the notion that a conspiracy *per se* is directing world events. Rather, we observed then that what some view as a "conspiracy" more closely resembles the power-seeking behavior, including collusive behavior, of a socio-political elite. This elite has succeeded in acquiring privileges that permit it to exercise authority vastly in excess of its competence and to promulgate self-serving views that have enjoyed public sanction even though they violate the most elementary requirements of common sense.

In our view, the latter circumstance constitutes a far greater threat to the commonweal than the possible operation of any conspiracy, however grand. Indeed, the task of defeating even an international cabal, if such were the primary threat, would seem incalculably simpler than promoting a useful understanding of human problems and sensible approaches to their solutions.

It is our hope, however, that by providing a critical view of some of the currents of thought that appear to propel most notions of the "better world" promised by global planners, we may contribute to such an understanding. During the past several years, we have commented elsewhere on a variety of ideas and events that would seem to relate in one way or another to the formation of the type of views that are reflected in talk of a "New World Order." They have embraced many academic fields -- development economics, political science, history, foreign policy studies, anthropology, and environmental science, to name a few. And they have covered a wide range of topics, from "Earth Day" celebrations in the United States to the behavior of village peasants in Pahlevi Iran. In this edition of *America's Unknown Enemy*, we have reprinted

a number of these commentaries as Chapters IX through XVIII. In addition, we have included two pertinent Appendixes: "The Counterrevolution," by AIER's founder E. C. Harwood; and "Global Warming and Other Environmental Myths," by Dr. Dixy Lee Ray.

The difficulties that are posed by the flawed prescriptions for human progress that currently are being written by America's power elite thus extend far beyond narrow notions of conspiracy. In a broad sense, they embrace many of the same obstacles to the pursuit of knowledge that have confronted humans since the dawn of history, and that have been a principal concern of AIER's research efforts throughout the years. In our view, the intellectual pursuit of some nebulous conspiracy (other than for the information it might yield about the behavior of those who subscribe to conspiracy theory, which is not the subject of this study) would be an enormous waste of time. The pursuit of an understanding of human affairs grounded in useful procedures of inquiry that promise to yield solutions to genuine human problems, on the other hand, deserves all the time and resources at our command.

I. CAPITALIZING ON CONSPIRACY

CONSPIRACY theory asserts that a secret cabal of international entities -- principally bankers, multinational corporations, educators, the media, and members of certain secret societies and membership organizations -- is directing world events toward a single objective: global domination by the conspirators. In one form or another, conspiracy theory has been around for many decades. During recent years, however, interest in it has risen dramatically, as government power and world problems -- especially monetary problems -- have grown alarmingly.

Conspiracy theory apparently has enjoyed a revival as a result of another recent phenomenon: the publication of financial newsletters that explicitly link knowledge of this conspiracy to "incredible profit opportunities." By implication, the writers are "in the know" about the conspirators' moves and thereby can help the individual investor to protect or add to his wealth from this knowledge.

There is abundant evidence that powerful bankers and other special interests at times have used the political process to manipulate government economic decisions for their own narrow interest. And these actions -- by extending the encroachment of government into more and more areas - constitute a threat to both the financial independence and individual liberty of all U.S. citizens. Although we sometimes have reached conclusions regarding the state of world financial developments similar to those of the conspiracy theorists, our conclusions do not rely on notions of conspiracy. Observable actions and events are involved. One need not make giant speculative leaps about moves nor be "in the know" to some secret to recognize the danger posed by various unsound policies and practices. And this applies to the development and formulation of prudent policies and practices for personal finances as well as national interests.

What use the notion of an international economic conspiracy *per se* can be to the development of a prudent investment program is not clear. It may be that information will seem more valuable to potential buyers if it is made to seem inaccessible or "secret." In any event, readers would be

well-advised to remain alert as to exactly what advantage "knowing about" any alleged conspiracy is purported to offer individual investors.

As regards the genuinely threatening practices and policies themselves, attributing them to "unbelievable" assertions of a conspiracy may well detract from warranted positions about the actual dangers they pose. As we describe below, many plausible nonconspiratorial scenarios can be hypothesized that would account for the connections that conspiracy theorists offer as proof of their notions. The relatively easy debunking of the conspiracy theory raises the possibility that the genuine dangers also will be rejected as being the unfounded fears of crackpots.

Foolish Attacks But Not False Issues

For example, some years ago in the wake of media attention given to reports that he was the mastermind of an international conspiracy aimed at world domination (alleged to have gained influence in both the Carter Administration and the Reagan campaign), David Rockefeller uncharacteristically issued a public rebuttal. Such allegations, he responded, were the paranoid fantasies of far right and far left "extremists." According to Rockefeller, rightwingers deluded themselves into thinking that he led "a nefarious plot by an Eastern Establishment of businessmen in the service of multinational corporations, who will do almost anything including going into cahoots with the Kremlin for the sake of financial gain." At the same time, he said, leftists imagined that he directed "a scheme to subject the working people of the world to the machinations of rapacious capitalism." By implication, the very contradiction of these notions discredited them both.

Rockefeller cited the diversity of membership in the alleged conspiracy, which included not only "businessmen" (he never referred specifically to international bankers) but also labor union leaders, university professors and research institute directors, Congressmen and Senators, and media representatives, as impressive circumstantial evidence there was no cabal. Presumably, persons so different from one another as "the Chairman of the Republican National Committee, the President of the AFL-CIO, the Chief Editor of the *Chicago Sun Times* and others ... would have difficulty hatching the same plot."*

Rockefeller protested that misguided assaults on some nonexistent "coterie of international conspirators" must not be permitted to impugn the integrity of those "concerned citizens interested in fostering greater understanding and cooperation among international allies." The "absurdities of the extremists," he averred, must not be allowed to interfere with the urgent task of meeting the challenges of a changing world. "In such an uncertain and turbulent world climate," he concluded, Americans could not afford to be sidetracked by "foolish attacks on false issues."

Almost surely, criticism and derision invited by the methods and preoccupations of conspiracy advocates have diverted needed attention from the warranted evidence that has been gathered and from which useful conclusions and reasonable implications regarding the distribution and exercise of power (economic and otherwise) might be drawn. Conspiracy theorists have not been

dealing with false issues, even though they easily can be faulted for foolish attacks.

The greatest protection to financial security for all Americans will not be secured by trying to "beat the game" of the "money manipulators," as one financial service had advised. Rather, it will be best served by restoring sanity to financial policy, by devoting greater effort to preserving and expanding American rights and freedoms, and by eliminating the special privileges that enable some citizens legally to rob others.

The possibility that the power to formulate and conduct American domestic and foreign policy has become dangerously concentrated in the hands of an elite group (as distinct from a "conspiratorial" group) contains grave implications. The extent to which Americans allow (because of ignorance or indifference) U.S. policy to be controlled by an apolitical coterie bent on personal gain, or by a power elite in pursuit of some hidden agenda, or by "globalists" prepared to sacrifice national interests for some nebulously conceived "new world order," will largely determine whether Americans will advance in freedom or retrogress in slavery.

FOOTNOTE

The Wall Street Journal, April 30, 1980. Articles relating to the "conspiracy" in question had appeared not only in conservative publications such as *American Opinion*, but also in the news weeklies *Time* and *Newsweek*, in *Esquire Magazine*, in the sexploitation magazines *Oui* and *Penthouse*, and in the liberal *The Atlantic*.

II. The Sociology of Conspiracy

No matter how imperfectly a particular version of history may describe past events, it still can influence attitudes and behavior.

What people *think* happened in the past often may condition their present attitudes. Therefore, the accurate description of past events -- and the development of warranted assertions regarding them -- is an essential requisite of informed behavior in the present. Inaccurate or incomplete descriptions of historical events almost invariably foster distorted views of significant historical relationships, and these in turn may be applied to developing harmful practices and policies in the present. In short, accounts of historical events may have tremendous current effects.

Ever since Thucydides, however, historians have practiced their craft without agreement as to what are useful procedures -- or even as to what are the main attributes of historical discipline. To a greater extent than prevails in the behavioral sciences generally, historical debate has admitted arguments that violate even the most elementary rules of evidence. Contemporary accounts of the alleged global conspiracy rebuked by David Rockefeller, which have gained adherents at both ends of the political spectrum, are a case in point.

This is not to deny conspiracy a legitimate place in the historical record. Conspiracies and

conspiracy theories of history are virtually as old as recorded history itself. Much of the surviving record of the pre-modern world is a chronicle of conspiracy, when conspiracy is used to refer to a secret agreement to commit an unlawful or wrongful act. Egyptian hieroglyphics depict intrigues in the courts of the Pharaohs; the Greek tragedians portrayed a world directed by conspiratorial fates; Roman conspiracies, such as the successful plot to assassinate Julius Caesar, abounded; and Shakespearean tales of regicide, patricide, matricide, fratricide, sororicide, and infanticide suggest the extent to which conspiracy propelled the quest for power in Medieval European society. Even the foundation of Christianity rests on what some describe as the most momentous conspiracy of all time.

Since the mid-19th century, "conspiracies" have continued to influence the directions that world events have taken. One need contemplate only briefly how history might have pursued a different course were it not for the documented and alleged assassination plots (successful and unsuccessful) aimed at various world leaders, among them: Abraham Lincoln, Adolf Hitler, Ngo Dinh Diem, John F. Kennedy, Fidel Castro, Martin Luther King, Jr., Anwar Sadat, Ronald Reagan, Indira Gandhi, Margaret Thatcher, and Pope John Paul II.

Indisputably, conspiracies have been formed in the past, and in all likelihood they will be forged in the future. At some crucial times, their fruition has catalyzed events that otherwise might not have taken place. At other times, their exposure (as in the case of the plot against Hitler) has had consequences ranging far beyond the immediate fate of the conspirators.

Such historically verifiable conspiracies, however, have been narrowly limited in time, space, culture or object. Unless religion and politics are termed conspiratorial, few recorded conspiracies have spanned cultural lines. They nearly always are closely bound by class, ethnic, or other discrete characteristics. Moreover, the secretive element of conspiracy is severely constrained by both space and time.

The Limits of Conspiracy

The German economic sociologist Georg Simmel postulated that secrets, as a form of "property" in knowledge or promise, are valued chiefly according to the immediacy of the risk their keeping (or not keeping) poses. Secrets themselves may be "timeless," as in the professed "eternal truths" or goals of secret societies, but their strength depends on frequent reminders of the risks associated with not keeping them. Thus, conspirators are "time-specific." They place high value on time as an occasion for secret intercourse ("we meet at midnight") and as a signal for the consummation of the conspiracy (e.g., the "Ides of March"). The great majority of conspiracies can be measured in days, weeks, or months. Few can be measured in years, and none can be measured in centuries. Conspiracies for the most part are neither casual nor long-lived.

They likewise function only in restricted "space." Successful conspiracies have been confined both geographically and demographically to the *smallest* area and numbers required to accomplish their purpose. They have to be big enough to get the job done, but not so big as to increase the risk of betrayal.

There are, it seems, critical limits beyond which activities that could be designated conspiracies become something else. The Ku Klux Klan in the post-Civil War South and the popular Vigilante organizations in the Old West, for example, became broader social movements within their communities. Whether recognized as lawful or not, when formerly secretive groups and their objectives become widely recognized, the name *conspiracy* no longer seems appropriate.

Contemporary global conspiracy theory would require the operation of a "conspiracy" involving thousands of persons, dozens of institutions and social groups, decades of years, and the entire surface of the earth. Rather than a conspiracy, the events and activities described in many conspiracy studies more plausibly constitute broad institutional and intellectual currents gaining popular support. That popular adoption of the program would likely bring disaster to the people does not make the plan a conspiracy.

In the case at hand, the movement toward "global culture" may be far greater than implied by the advocates of conspiracy theory, and their narrow focus may distract attention from analyzing critically the implications of the proposed "global management." The institutions and ideas offered in support of international planning and management are today far from secret. The pursuit of power by those who would dictate to the world through international agencies is carried on openly in all types of forums - from academia, to national governments, to international agencies (such as the United Nations), to self-appointed "commissions."

In short, conspiracy theory views the current process involved in the acquisition of power backwards. In the late 20th century, the advent of "mega control" is likely to be hastened not through the operation of some evilly efficient cabalistic network, but rather through the widespread public misinterpretation of the significance of events and a popular acquiescence in bureaucratic "management" of national problems and international "interdependencies."

III. The Conspirators

Despite the skepticism with which conspiracy notions often have been greeted in professional circles, interest in contemporary conspiracy theory no longer can be regarded merely as an exercise in eccentricity or obscurantism. For example, *Globescan*, an international news and financial report (whose parent is the investment research organization, Realinvest S.A. of Geneva, Switzerland) published a handsome pamphlet with the title *Futurewatch; Your Freedom and Wealth Versus the International Establishment*. In it, at the top of a list under a bold heading "Perpetual conspiracy is printed the word Illuminati. For readers of that pamphlet unfamiliar with the term Illuminati -- or Club of Rome, Group of 77, Bilderbergers, IFAD, SATO, UNITAR, WIPO, CER, RIIA, and a multitude of others a good portion of what subsequently was presented would have had little or no meaning. Attempts to link conspiracy theory and investment practice demand that the "uninitiated" gain at least some acquaintance with the origins, methods, and terminology of conspiracy literature if they are to comprehend what is being presented and assess its usefulness.

The central tenets of contemporary conspiracy theory owe much to the British author Nesta H. Webster's *World Revolution; The Plot Against Civilization* (1921), a book that testifies powerfully to the endemic flaws of conspiracy notions.^[1] *World Revolution* describes minute similarities (differences receive little or no mention) found in a variety of secret societies and intellectual movements between the late 18th century and the early 20th century. These, it says, are "proof" that the source of revolutionary upheaval in the modern world "is not local but universal, it is not political but social, and its causes must be sought not in popular discontent, but in a *deep-laid conspiracy*" (emphasis added). Accordingly, parallels between the rituals, methods, and symbolism of various societies, and the teachings of individuals as various as Rousseau, Robespierre, Owen, Fourier, Marx, Bakunin, and Louis Blanc are interpreted as evidence of an "occult force, terrible, unchanging, relentless, and wholly destructive, which constitutes the greatest menace that has ever confronted the human race."

According to Mrs. Webster, one man started it all: Adam Weishaupt, a renegade Jesuit priest and professor of canon law who founded the Order of illuminati of Bavaria on May 1, 1776. By this account, Weishaupt was the principal architect of internationalism as it became manifest in the 20th century. *World Revolution* terms him the mastermind of the "terrible and formidable sect" that launched "the gigantic plan of World Revolution" and so earned him a place on the dark side of history as "the profoundest conspirator that has ever existed." At least some mention of Adam Weishaupt or the Illuminati is found in virtually all contemporary conspiracy literature.

The accompanying "Chart of the World Revolution,"^[2] from *World Revolution*, illustrates the extent to which this conspiracy allegedly overcame the restraints normally imposed on conspiracies by time, space, and culture. *World Revolution* asserts there are "connections" between Adam Weishaupt's Bavarian Illuminati, Egyptian Occultism, Manicheans, French and German Freemasons (though *not* British Freemasons),^[3] the Knights Templars, British Syndicalists, Russian Anarchists, Irish Republicans, British Socialists, Owenites, Bolsheviks, Mensheviks, the German General Staff, the Wobblies, and a handful of Utopians. The "gigantic plan" purportedly functioned continuously for at least 145 years, embraced three continents, and spanned several political and economic systems. It should be noted, however, that the chart fails to include any mention of, for example, Garibaldi, Mazzini, or the "red shirts," the Spanish anarchist movement in the first decade of the 20th century -- or any parallel developments in what has since become known as the "Third World." The Webster thesis limited the course of "World Revolution" to Northern European cultures and their North American variants.

To attempt to refute the Webster account of global conspiracy by pointing out every historical fallacy of the work would be an enormous waste of time. It would be so not because there are no factual errors but because she does not offer support, by references to verifiable "facts," for the crucial aspect of her thesis -- that the key people involved conspired to achieve a common purpose. That critical notion is an inference she makes from the evidence presented, but it is not the only plausible inference. Indeed, other inferences seem more plausible.

Thus, to attempt to refute Mrs. Webster's conspiracy thesis and those of other conspiracy theorists -- one must contend with facts not presented more than with those offered. And to prove a negative -- that is, that there is no conspiracy -- is virtually impossible. That, however, in no

way suggests Mrs. Webster's thesis is accurate. Her method is fundamentally flawed; it permits neither verification nor refutation. Consequently, "believers" can accept the conspiracy theory and "nonbelievers" can reject it.

"Evident Connections"

Let us illustrate the bankruptcy of Mrs. Webster's "proof" of a conspiracy by reference to her commentary on the relationship between the "programme" of the Illuminist Adam Weishaupt and the Anarchist Michael Bakunin and hence, the "evident connection" between the two. A portion of her argument asserts:

We have only to compare the programme of the International Social Democratic Alliance with the plan of Weishaupt to recognize the evident connections between the two. Placed in parallel columns the aims of both will be seen to be identical:

WEISHAUPt

The order of the Uluminati abjured Christianity.... In the lodges death was declared an eternal sleep; patriotism and loyalty were called narrow-minded prejudices incompatible with universal benevolence; further, they accounted all princes usurpers and tyrants, and all privileged orders as their abettors. They meant to abolish the laws which protected property accumulated by long-continued and successful industry; and to prevent for the future any such accumulation. They intended to establish universal liberty and equality, the imprescriptible rights of man, and as preparation for all this they intended to root out all religion and ordinary morality, and even to break the bonds of domestic life by destroying the veneration for marriage vows, and by taking the education of children out of the hands of the parents.

BAKUNIN

The Alliance professes Atheism. It aims at the abolition of religious services, the replacement of belief by knowledge and divine by human justice, the abolition of marriage as a political, religious, and civic arrangement. Before all, it aims at the definite and complete abolition of all classes and the political, economic and social equality of the individual of either sex. The abolition of inheritance. All children to be brought up on a uniform system, so that artificial inequalities may disappear....

It aims directly at the triumph of the cause of labour over capital. It repudiates so-called patriotism and the rivalry of nations and desires the universal association of all local associations by means of freedom.

The final aim of this society was "to accelerate the universal revolution."

Now how is it possible to suppose that the extraordinary similarity between these two programmes can be due to mere coincidence? In the Alliance of Bakunin, as in the *Communist Manifesto* of Marx, we find again all the points of Weishaupt -- abolition of property, inheritance, marriage, and all morality, of patriotism and all religion. Is it not obvious that the plan had been handed down to the succeeding groups of Socialists and Anarchists by the secret societies which had carried on the traditions of the Illuminati, and that Bakunin, and still more his coadjutor Netchaieff, was simply an Illuminatus?

Aside from the observation that this comparison is based on secondary rather than primary sources (these are not citations of Weishaupt and Bakunin, but of others who have interpreted them), several criticisms can be made. First, there is absolutely no evidence offered supporting the assertion that "the plan had been handed down to succeeding groups of Socialists and Anarchists by the secret societies." That is Mrs. Webster's interpretation.

Second, there are many possible explanations for the similarities mentioned between the programs of numerous radical groups. Most of the writings of the activists alluded to in *World Revolution* were available in the libraries of Europe and the United States. It would have been extraordinary if internationalists from Weishaupt to Bakunin, to Marx, and to Engels, had not drawn on earlier similarly disposed writers for intellectual stimulation and reinforcement. What Mrs. Webster interpreted as the operation of a sinister conspiracy more likely could have been the simple process by which intellectual currents -- including wrongheaded ones -- take root and develop. That process continues today. That persons have similar (mistaken) views does not by itself constitute evidence of a conspiracy.

Nor is there much evidence of conspiracy in Mrs. Webster's list of secret societies that all seemed to have roughly similar structures and rituals. Many secret societies in the modern Western world -- benign and otherwise -- have drawn their basic forms from the Freemasons, the earliest and most widespread of the secret orders. The *Dogma and Rituals of the Ancient Scottish Rite of Freemasonry*, for example, which had been revised by the 33rd degree Mason Albert S. Pike, was widely available in the United States and Europe throughout the late 19th century. It served as a model of organization for a variety of college fraternities and civic organizations. By applying Mrs. Webster's use of evidence regarding similarity of structures and rituals, the Shriners, the Patrons of Husbandry (the Grange), the Oddfellows, Phi Beta Kappa -- even the secret orders of the Boy Scouts of America -- must be connected to the Illuminist conspiracy.

The use of similar terms also is far from persuasive evidence of coordinated intents or purposes. In economics, for example, advocates of the "free market" have used much the same language and arguments since Adam Smith's *Wealth of Nations* (published in 1776, incidentally), yet their activities have not been coordinated. Furthermore, the same word or words ("internationalist" for example) can be used by different persons to create a desired effect. Nearly all power seekers will direct their appeals to the prejudices of the intended audience in similar language. Activists in the United States often enlist the quotations of such personages as Abraham Lincoln and Thomas Jefferson in support of causes that those men almost surely would have opposed vigorously. The full context in which words and arguments are presented must be considered in order to draw useful conclusions. Consider this: with the exception of the name of the countries and rulers in question, the Vietnamese Declaration of Independence issued by Ho Chi Minh in 1946 was a verbatim translation of the American Declaration of Independence authored by Thomas Jefferson in 1776. According to Mrs. Webster's use of evidence, Thomas Jefferson, Ho Chi Minh, and anyone who celebrates the 4th of July may be part of one huge conspiracy.

"Coincidence" vs. History

World Revolution further violates useful method by neglecting the context in which historical events occurred. For example, Mrs. Webster again employs the rhetorical question to suggest conclusions about a coincidence of dates: "Was it again a mere coincidence that in July 1889 an International Socialist Congress in Paris decided that May 1, which was *the day on which Weishaupt founded the Illuminati*, should be chosen for an annual International Labour demonstration, or that it was with a demonstration organized by the Anarchists on May 1, 1881, that the *periode tragique* began?"

Fantastic coincidence? Evidence of conspiracy? These are not the only possibilities. The month of May is derived from the Latin *Maia*, a goddess to whom the Romans sacrificed on the 1st of that month. This practice was transformed, after the Roman conquest of Europe, into a spring festival in celebration of the season of growth, and it was eagerly anticipated by peasant laborers as a time of revelry and relief from toil. (This holiday coincided with the reduced labor demand that followed seeding but preceded cultivation of crops.) In Tudor England, May Day became a festival dance known as Morris Dance; Celtic May Day was known as Beltane, when celebration fires were kindled on hilltops; in Europe generally, the 1st of May was by the 17th century known simply as "Labor Day." Mrs. Webster's question more appropriately might have been framed, Is it any wonder that Weishaupt chose May 1st as the founding date for his order? Or, Is it any wonder that the International Labour demonstrations orchestrated by anarchists in 1889 and 1891 took place on May 1st? Or, Is it any wonder that "May Day" would be chosen to commemorate the Bolshevik Revolution?

As in much conspiracy writing, *World Revolution* contains an anti-Semitic current. Although Mrs. Webster declares that the conspiracy against civilization was not solely the work of Jews, she asserts they played a large part in it: "Already England and France are, if not actually dominated by Jews, very nearly so, while the United States, by the hands of those whose grip they are ignorant of, are slowly but surely yielding to that international and insidious hegemony." Also, "Whatever the Jewish Press may say to the contrary, the preponderance of Jews amongst the Bolsheviks of both Hungary and Russia has been too evident to need further proof." *World Revolution* further maintains that "Jewish gold" financed the Bolshevik Revolution and that Jewish participation in the "plot against civilization" signified a larger commitment to the destruction of Christianity and the establishment of Jewish "domination in religion, property, and power."

Evidence is skimpy at best that Jews "controlled" many of the events in the alleged world conspiracy plot. Antony C. Sutton has observed: "The list of Jews involved in the Bolshevik Revolution must be weighed against lists of non-Jews involved in the revolution. When this scientific procedure is adopted, the proportion of foreign Jewish Bolsheviks involved falls to less than twenty percent of the total number of revolutionaries."^[4] As we discuss later, the issue of Jewish participation in the Revolution was far more complex than any of the "Jewish conspiracy" thesis acknowledge.

More Recent Writings

World Revolution alone would not warrant this discussion of the abuses of useful method were it not that its two central themes -- (1) that secret societies provided the primary institutional support for "world revolution" and (2) that international bankers, especially Jewish ones, financed and profited therefrom -- have appeared in variant forms in subsequent writings about an "international socialist" conspiracy directed by bankers. These writings reflect the same methodological defects as does *World Revolution*.

A widely recognized work on the subsequent operation of the conspiracy, particularly in the United States, is Gary Allen's and Larry Abraham's *None Dare Call It Conspiracy*, first published in 1971. In their book, Allen and Abraham (Abraham subsequently published the *Insider Reports* financial newsletter) relied on the same methods of "proof" as did Mrs. Webster. Their chart on "World Supra-Government," reproduced here, bears resemblance to Mrs. Webster's "Chart of the World Revolution." Like Mrs. Webster's chart, this one uses the device of simple lines to promote alleged connections between a diverse group of institutions and thousands of individuals who lived over a period of centuries (Meyer Amschel Rothschild, who heads the chart, was born in 1743). Would a listing of these persons and institutions in a table without the arrows and lines have the same impact? We doubt it. Yet, the arrows and lines do not add an iota of supporting evidence to the writers' contention.

Allen and Abraham's book also asserts that secret societies have advanced the conspiracy. *None Dare Call It Conspiracy* maintains that the present conspiracy of international bankers began with the founding of Cecil Rhodes's Secret Society in the 1890's. Nevertheless, Adam Weishaupt is implicated in the general conspiracy: "It should be noted that the originator of this type of secret society was Adam Weishaupt, the monster who founded the Order of Illuminati on May 1, 1776, for the purpose of conspiracy to control the world. The role of Weishaupt's Illuminati in such horrors as the Reign of Terror is unquestioned, and the techniques of the Illuminati have long been recognized as models for Communist methodology. Weishaupt also used the structure of the Society of Jesus (the Jesuits) as his model, and rewrote his Code in Masonic terms."

In brief outline, Allen's and Abraham's book traces the growth of the conspiracy from the Rhodes' Secret Society, to the Royal Institute of International Affairs (RIIA), which -- with the American Council on Foreign Relations (CFR) constituted an international Roundtable Group. Through the participation of the principal English and American international bankers, this group allegedly controlled world events until World War II. After World War II until 1973, the Council on Foreign Relations, and since 1973 the Trilateral Commission, have been the alleged secret instruments of the elitists' conspiracy to rule the world.

In 1985, Larry Abraham published a sequel volume titled *Call It Conspiracy*. This work traces the development of events relating to "the conspiracy" through Nixon, Ford, Carter, and (to 1985) the Reagan presidencies. Despite its title, the new chapters in this book (the first part of the book is comprised of the original text of *None Dare Call It Conspiracy*) show somewhat greater caution in attributing specific developments to conspiratorial behavior per se than those of the parent work. For example, the Trilateral Commission (see Chapter VI) is described as being an "open Conspiracy." The conspiratorial connections" alleged in *Call It Conspiracy* are implied rather than explicitly asserted.

Similarly, Professor Antony C. Sutton's recent volumes on *The Order* (Yale's Skull and Bones) provide illuminating evidence of the globalist views and ambitions of some of its members. But that material relies on methods of "proof" that are flawed in many of the same ways as Mrs. Webster's *World Revolution*.

It is beyond the scope of this discussion to review in great detail all of the volumes that so far comprise the results of Professor Sutton's research on Yale's Skull and Bones society. Even so, it may be useful to place the primary evidence he has uncovered in the perspective of the larger methodological problems that seem to infect most works on the worldwide conspiracy.

Sutton asserts in *The Secret Cult of The Order* that "The Order, a secret society also known as Skull & Bones, is a clear and obvious threat to the Constitutional freedom in the United States. Its secrecy, power and use of influence is greater by far than the masons, or any other semi-secret mutual or fraternal organization." Unfortunately, the only "evidence" Sutton provides to document the above assertion is a tract written in 1871 that, in his words, is "the only source of documented information on the cultic aspects of The Order."^[5] It scarcely needs saying that a great deal can and does happen to organizations even secret ones over the course of more than a century. By an extension of Sutton's reasoning, a careful reading of the manual of orders from virtually any fraternal or benevolent order (Skull and Bones actually seems to have been tamer than many), to say nothing of the acts of incorporation of any number of business enterprises during the 19th century, could be called a threat to constitutional freedom in the United States. Why Sutton neglects possibly more fruitful research into, say, the secret goings-on in the boardrooms of any number of hugely influential multinational corporations in preference for the view that a relatively puny (in terms of numbers and resources) secret fraternity rules a world conspiracy escapes logic.

This is not to say that Sutton has not uncovered useful sources. Although they provide no evidence of a cultist conspiracy today (by virtue of the fact that they were written more than a century ago, they cannot provide such), they are a useful account of the sociology of the senior society system at Yale a century ago, and furnish at least some clues respecting the behavior of those excluded from participation in the societies' secrets. They are most revealing as a window into distance campus status relationships. A careful reading of Lyman Bagg's 1871 volume *Four Years at Yale*, which is one of Sutton's primary sources, strongly suggests that many of the charges made against Skull and Bones in the 1870's stemmed from the lingering resentments of the privileges accorded to members of that society (as they generally still are to the "big men on campus" at most colleges.) What seems to have heightened feelings against that organization per se was the fact that it was the first and most successful of such societies. (Except for Scroll and Key, for many years prior to the 1870's it was the only such society on the Yale campus -- having itself been founded by disgruntled students responding to the exclusivity of Phi Beta Kappa elections decades earlier.) But, again, these documents are worthless as "proofs" of any present-day conspiracy.

Sutton's account of the operation of The Order in American educational circles, *How The Order Controls Education*, contrasts sharply with the foregoing volume. In this brief volume, he traces in broad strokes some of the main currents in late 19th- and early 20th-century higher education,

particularly as they may relate to Hegelian notions of relations between the individual and the State -- and many of his comments and criticisms respecting the failures of American education are thought-provoking. But they do not constitute evidence of a conspiracy. His insistence that the corruption of American education is attributable primarily to The Order again depends on the most tenuous "connections." (John Dewey, whom Sutton goes to considerable lengths to identify with The Order's alleged educational objectives, was not a member of The Order.)

Of the several volumes in Sutton's series on Skull and Bones, the most extensively documented is that entitled *How The Order Creates War and Revolution*. In this work, Sutton draws heavily on his earlier studies of financial relationships between the Wall Streeters, the Russian Revolution, the Nazi movement, and present-day Angola and China. This volume contains irrefutable evidence of the involvement of Wall Street bankers and financiers in the major anti-democratic movements of the 20th century, as we discuss below. And there can be no question that some of those involved were members of Skull and Bones. There were also a great many others who played central parts in the various intrigues who had no demonstrable connection to that organization. Even in Sutton's scenario, Wall Street involvement in the financing of war and revolution appears to extend far beyond the confines of a narrowly laid conspiracy. His attempt to focus exclusively on The Order simply detracts from the larger -- and much more foreboding -- story that is contained in the pages of his compact book.

Suffering from the same methodological flaws as Mrs. Webster's work, the more recent conspiratorial works centering on the Federal Reserve, international bankers, the CFR, the Trilateral Commission, and Yale's Skull and Bones defy refutation. Conspiracy theorists can point to enough verifiable evidence to make their cases plausible, but the essential conspiratorial element can be neither corroborated nor refuted. But opponents of the would-be "world managers" who rely on allegations of conspiracy seem an unlikely source for the type of critical analysis that must precede the development of informal judgment respecting the desirability of the globalists' ideas, policies, and programs.

NOTES

1. Webster subsequently became a leader of the British fascist movement.
2. The chart included in the original pamphlet is not reproduced here. The reader is encouraged to contact the American Institute of Economic Research for a printed version.
3. Mrs. Webster wrote in an author's note: "at the moment of this book going to press, it has been brought to my notice that I am represented as having attacked British Freemasonry. This can only have been said in malice, as I have always clearly differentiated between British and Continental masonry, showing the former to be an honourable association not only hostile to subversive doctrines but a strong supporter of law, order, and religion."
4. Anthony C. Sutton, *Wall Street and the Bolshevik Revolution* (Arlington House, 1974), p.189. Anthony C. Sutton, *Wall Street and the Bolshevik Revolution* (Axlington House, 1974), p.189.
5. Antony C. Sutton. *The Secret Cult of The Order* (Bullsbrook, Western Australia: Veritas Publishing Company Pty. Ltd., 1983), p.2.

IV. The Federal Reserve Conspiracy

One recent form of the allegation that the Federal Reserve System aggrandizes the private bankers at the public's expense turns on the fact that the 12 Federal Reserve banks are owned by the private member banks of the Federal Reserve System. By implication or assertion, the charge is made that the private bankers as owners of the U.S. central bank, the Federal Reserve System -- have controlled and continue to control U.S monetary policy and regulation to enrich themselves.

Dozens of publications assert much more. They charge that both the Federal Reserve System and the bankers who own stock in Federal Reserve banks are key elements in a grand conspiracy among a few elite to control the world. They hold that the Federal Reserve System was the plan of an illegal secret conspiracy aimed at controlling the Nation's money and credit policies in order to virtually dictate the course of events -- to start wars, to induce recessions and depressions, and to create money and debt -- all of which would enhance the power of and increase the profits of the manipulators in charge.

Long-time followers of our work will know that our research suggests that today's grave monetary and economic problems are largely attributable to actions taken since the founding of the Federal Reserve System. We also have declared many times that leading private bankers have used their great influence with central bankers and politicians to obtain adoption of monetary policies and banking laws that were in the bankers' immediate interest but against the long-run public interest and that of the bankers, too.

Nevertheless, we point out that allegations that a secret conspiracy illegally directed formation of the Federal Reserve -- and continues to control it -- disregard some pertinent events: (1) Years before the Federal Reserve System was formed, Supreme Court decisions had given Congress virtually total power over the U.S. monetary system and that power was used to advance easy-credit, fiat-money interests. (2) The Federal Reserve bill was openly debated in Congress and before the American public, and it was passed with broad bipartisan support (however misguided) in a political and social climate that strongly favored the creation of a central bank. (3) The power of the member banks as stockholders of the Federal Reserve banks is narrowly circumscribed by the terms of the Federal Reserve Act; thus, the influence of bankers on U.S. monetary policy is via some avenue other than the little-known fact of their stock ownership in the Federal Reserve banks.

Although there is a reasonable basis for doubting the Constitutionality of fiat money, by the time the Federal Reserve plan was conceived the Supreme Court had long ruled that Congress did indeed have Constitutional power to control the monetary system of the United States. Congress had passed Legal Tender Acts in 1862, 1863, 1864, and 1865 as wartime measures, and additional acts in 1878 and 1890 as peacetime legislation. According to these acts, non-interest-

bearing legal-tender notes issued by the United States were declared "lawful money and a legal tender in payment of all debts, public and private, within the United States." Initially such notes were not legal tender in payment of duties on imports or on Government interest-bearing obligations, but by 1890 these exceptions had been eliminated.

The Supreme Court ruled on the Constitutionality of these Acts in three landmark cases: *Hepburn v. Griswold* (1870); *Knox v. Lee* (1871); and *Juilliard v. Greenman* (1884). Although in *Hepburn v. Griswold* the Court first ruled against Congress's authority to issue fiat money, as soon as the Court's membership changed, it reversed the ruling. As a result of rulings in *Knox v. Lee* and *Juilliard v. Greenman* the power exercised by Congress in authorizing issues of legal-tender notes was a legitimate power in both wartime and peacetime. The nearly unanimous (8 to 1) 1884 decision granted Congress sweeping powers to regulate virtually all monetary issues. Thus Congress had already taken many easy-money steps before it passed the Federal Reserve Act in 1913. The Constitutionality of the Act was upheld in *Raichie v. Federal Reserve Bank of New York* on July 15, 1929. One can today continue to maintain, we grant, that the Supreme Court's decision was innocently or malevolently contrary to the Constitution, but that decision settled the issue according to the legal procedures of the Nation.

Behind-the-Scenes Collaboration

Although it is true that several years before the Federal Reserve bill came before Congress a group of politicians and bankers had met privately to formulate plans for a central banking system, the Federal Reserve Act itself was not passed clandestinely. Conspiracy theorists make much of the "secret" meeting held on Jekyll Island, Georgia in November 1910 as evidence that a conspiracy lay behind the Federal Reserve plan. Consider, for example, the financial reporter B.C. Forbes's account: "Picture a party of the nation's greatest bankers stealing out of New York on a private railroad car under cover of darkness, stealthily heading hundreds of miles South, embarking on a mysterious launch, sneaking onto an island deserted by all but a few servants, living there a full week under such rigid secrecy that the names of not one of them was once mentioned lest the servants learn the identity and disclose to the world this strangest, most secret expedition in the history of American finance."

According to this scenario, the banking houses of J. P. Morgan and of Kuhn, Loeb and Company - in concert with the Rockefeller "Standard Oil group" at National City Bank - bought influence in Congress and invested in the career of Presidential hopeful Woodrow Wilson in order to secure legislation favorable to their conspiratorial designs. The details of this plot, which resulted in the Federal Reserve System and thereby delivered control of the Nation's money into the hands of the conspirators, allegedly were hatched at the Jekyll Island ultra-secret meeting. The chief figures at this clandestine gathering were: Senator Nelson Aldrich (Nelson Rockefeller's namesake), who was then the head of the National Monetary Commission; Frank Vanderlip, president of the National City Bank of New York; Henry P Davison, senior partner of J. P Morgan Company; Charles D. Norton, president of the First National Bank of New York; Paul Warburg of Kuhn, Loeb and Company (he was the principal author of the draft of the Federal Reserve bill); and Col. Edward Mandel House (he would become President Woodrow Wilson's

closest advisor, even though without official title). Especially sinister implications are often drawn in conspiracy literature from the biographies of two of the participants. Paul Warburg, a Jew who emigrated to the United States from Germany in 1904, was the brother of Felix Warburg, also of Kuhn, Loeb, and of the international bankers Max and Fritz Warburg of Germany. Col. House, on the other hand, was a Texan "connected" to the London banking establishment by virtue of his father's Civil War exploits as a blockade runner for the Confederacy. But his greater notoriety derived from a novel he had written the year before Wilson was elected President. That novel, titled *Philip Dru, Administrator*, ostensibly endorsed "a detailed plan for the future government of the United States" which "would establish Socialism as dreamed by Karl Marx." In conspiracy literature, these men are condemned on the basis of these relationships. Admittedly, the relationships provided opportunity for scheming, but "nonbelievers" are not likely to be persuaded by such circumstantial evidence.

The Jekyll Island meeting was indeed convened in secret, but it did not remain a secret for long. And although the imagery of the supposed intrigues on Jekyll Island may be fully consistent with what would be expected of powerful personalities, there is no verifiable evidence that any activities at that meeting constituted conspiracy or fraud. Unquestionably, a draft of legislation - or at least the broad outlines - for a U.S. central bank was drawn there; participants in the meeting subsequently acknowledged and celebrated their "achievement." For example, Frank Vanderlip recalled in his autobiography, "Our secret expedition to Jekyll Island was the occasion of the actual conception of what eventually became the Federal Reserve System. The essential points ... were all contained in the Federal Reserve Act as it was passed."

There was and is nothing illegal about collaboration of this type -- that is, collaboration among interested parties. Allegations that "much of the influence exerted to get the Federal Reserve Act passed was done behind the scenes, principally by two shadowy, non-elected persons: The German immigrant, Paul Warburg, and Colonel Edward Mandel House of Texas" describe the way the American legislative process often has worked. Somebody behind the scenes initiates an idea or a working draft that subsequently is publicly debated, revised, and either rejected or adopted.

Open Debate Followed

One could justifiably say that debate on the Federal Reserve bill was more open and less restrained than previous debates on money and banking issues. Many supporters of the Federal Reserve Act plainly viewed it as a vehicle for reducing the abused power of "Eastern bankers." Speaking in favor of the bill in December 1913, Senator Robert Owen of Oklahoma became short with those who wanted the issue studied some more:

Mr. President, not only has this matter, therefore, been considered during the last five years, but during the summer before last, beginning in May, 1912, there was a very careful examination made by one branch of the Committee on Banking and Currency of the House of Representatives' under the management of Mr. Pujo, acting as chairman of that subcommittee of the Committee on Banking and Currency of the House of Representatives, into the so-called

Money Trust. It was a very remarkable investigation, covering several thousand pages of printed matter, with a most illuminating report, prepared under the direction of the committee and drafted by one of the ablest and most patriotic men in the United States -- Samuel Untermyer, of New York --showing that a fraction over a hundred men exercised dominating control over property amounting to \$22,000,000,000, an unthinkable sum, practically a third of the national wealth, excluding the land of the country.

The Pujo examination verified what was generally well understood, that so far had the concentration of financial and commercial power proceeded in this country that a handful of men exercised practically commercial and financial supremacy over the people of the United States; that they could at their will shake the foundations of the country; that they could at their pleasure cause not only stringency, but, what is far more dangerous, could carry those stringencies of credit to a point of absolute and overwhelming panic that could close the doors of the banks of this country from the Atlantic to the Pacific in a single day.

I shall not pretend to believe for one moment that the panic of 1907 was an accident. It is a long story. I cannot at this time go into that story but I profoundly believe that the result in October, 1907, was a part of a concerted plan by which a few men did two things, first, enriched themselves on the one hand at the expense of the Nation, and administered what they conceived to be a terrifying political rebuke to the administration then in power.

I have always contended that a drastic congressional investigation of this panic should have been made and its promoters and beneficiaries exposed to full public view.

The Pujo investigation did not end this inquiry into our banking system. The chairman of another branch of the Committee on Banking and Currency of the House of Representatives, Mr. Glass, of Virginia, who is justly entitled to very great credit in preparing and helping to perfect this bill, began the consideration of the question with a view to framing a bill to afford adequate remedy to this country against the exercise of individual unrestrained and irresponsible power over the businessmen of this country. That Committee patiently heard the representatives of the great banking institutions of the country, of the great commercial houses of the country, of financial experts, and their investigations were printed in a volume of over 700 printed pages.

Nor was that the end of the investigation. I refer to these investigations because it has been given out to the country in various ways that the Congress of the United States was dealing with this matter with extreme haste, that Congress was rushing through a measure affecting the interests of the country without suitable inquiry or examination. I remind Senators that when the Aldrich bill was proposed to be submitted to the Senate the very men who recently have said "do not be in haste" were at that time urging haste on a proposal which would have concentrated in private hands the control of the credit system of the United States.

But this was not all. In addition to the investigation of the Monetary Commission, the investigation of the Pujo committee, of the Glass committee, numerous hearings were extended to representatives of the American Bankers' Association by those who were charged with the duty of making a preliminary draft for the consideration of their colleagues, and when these hearings had been much extended finally there was a preliminary draft made of this bill.

But before it was ever submitted it was considered by many thoughtful, careful men, various amendments suggested, various amendments made, and finally it was brought into the Committee on Banking and Currency of the House of Representatives and there discussed. It was afterwards discussed in the Democratic conference of Members of the House of Representatives, and finally came to this body on the 18th of September last. But before it came here the members of the Banking and Currency Committee of the Senate had been giving this matter attention, had been studying it, had been considering it, and they began their formal hearings on the 2nd of September last. Sixteen days before the bill reached the Senate they began to take evidence upon this question, and finally concluded the taking of evidence on the 25th of October, and submitted it to the Senate in three volumes, including something over 3,200 printed pages of matter. We heard at length the representatives of the banks, the representatives of business interests, of credit associations, of clearing houses, of financial experts, and of interested citizens not claiming to be experts. The committee, with great patience and industry, gave a careful consideration to various groups of people, and finally submitted to the Senate as a Senate document these hearings.

So, Mr. President, it is impossible for anyone to contend that the Congress of the United States has not given this matter the most infinite pains and considerate care.[1]

Others concerned about the power of the banking establishment opposed the bill. Consider, for example, the dissenting remarks made in Senate debate by Senator Stone: "The great banks for years have sought to have and control agents in the Treasury to serve their purposes. ... There are bankers of this country who are enemies of the public welfare. In the past, a few great banks have followed policies and projects that have paralyzed the industrial energies of the country to perpetuate their tremendous power over the financial and business industries of America."[2]

Legislators were keenly aware of the enormous power of private bankers. Unquestionably, the banking lobby constituted a powerful interest group, and unquestionably it exerted great pressure (financial and otherwise) on individual legislators. Nonetheless, the Federal Reserve Act went through the full legislative process. Compared with what was perceived about the power and narrow interests of bankers, the secretive matters seem of little consequence.

In its final form, the Federal Reserve Act represented a compromise among three political groups. Most Republicans (and the Wall Street bankers) favored the Aldrich Plan that came out of Jekyll Island. Progressive Democrats demanded a reserve system and currency supply owned and controlled by the Government in order to counter the "money trust" and destroy the existing concentration of credit resources in Wall Street. Conservative Democrats proposed a decentralized reserve system, owned and controlled privately but free of Wall Street domination. No group got exactly what it wanted. But the Aldrich plan more nearly represented the compromise position between the two Democrat extremes, and it was closest to the final legislation passed. (See "The Original Federal Reserve Act" box on the preceding page.)

With few exceptions, virtually all political factions favored some form of central bank. Their lack of political and monetary wisdom was prophetically voiced by only a few stalwart dissenters. One was Senator Elihu Root, who feared the inflationary consequences of a central

bank and spoke vainly against the bill. His Senate remarks are reproduced in the box on the following page.

Ownership and Control Separated

As for the suggestion that stock ownership of the Federal Reserve banks by their private member banks confers control of U.S. monetary policy to the bankers, the ownership simply does not do so. Six of the nine directors of the Federal Reserve bank must not be bankers or stockholders of the member banks. Member banks elect six of the Reserve bank's directors, only three of whom can be bankers or bank stockholders. The Board of Governors of the Federal Reserve System appoints the other three directors, all of whom must not be bankers or stockholders. In turn, the President of the United States appoints and Congress confirms the seven members of the Federal Reserve Board of Governors, whose terms are staggered and run for 14 years. This reduces the chance that any one President can load the Board with people whose first loyalty might be to the President's political interests.

As for the Nation's monetary policies, the Federal Reserve today affects money-credit conditions primarily through its "open-market operations," that is, its decisions to buy or sell debt securities (mainly those of the U.S. Government or Federal agencies but by law they could be issued by foreign governments).[3] Purchases of securities by the Fed increase the available reserves in the private banking system, which enables the private banks to expand their loans and investment. Credit conditions thus are "eased," all other conditions unchanged. When the Fed sells securities from its portfolio, credit conditions are "tightened."

Of course private bankers prefer "easier" Fed policy so that the bankers can increase their loans and investments in order to raise their profits. But open market policy is determined not by the member banks but by the Federal Open Market Committee (FOMC). Its membership is the seven members of the Board of Governors and five presidents of the Federal Reserve banks, one of whom is the New York Fed president. The other four presidential places on the FOMC are rotated among the remaining eleven Federal Reserve banks.

By legal structure, then, the private bankers do not determine the Federal Reserve's monetary policy. If they do determine it by virtue of their influence with the FOMC members (gained from deserved respect or feared financial clout), that is a problem unrelated to the fact that member banks own the Federal Reserve banks. If the U.S. central bank were wholly owned by the Federal Government, some private bankers still would have more influence on policy than other bankers and the great majority of Americans.

Also contrary to conspiracy contentions, the private member banks are not making huge profits from owning stock of the Federal Reserve banks. The Federal Reserve Act prohibits the payment of more than a 6 percent dividend on the stock of the Federal Reserve banks, and by recent standards, 6 percent is a fairly modest rate of return. Net earnings of the Reserve banks in excess of the dividends and any additions to the Reserve banks' capital surplus, in order to keep the surplus equal to paid-in capital, are paid annually to the U.S. Treasury as "interest on Federal

Reserve notes." In fiscal year 1985, the Federal Reserve banks paid a total of \$17.8 billion to the Treasury, 173 times more than the \$103.0 million paid to the member banks as dividends in 1985.

The Path to Easy Money

When the Federal Reserve System was created, informed, well-intentioned persons could reasonably have supported it. Although Senator Root plainly expected that the Federal Reserve would be inflationary, his remarks also reveal that bankers' abuses and inflationary excesses often occurred when there was no central bank. Furthermore, the original Federal Reserve Act contained some provisions that proscribed inflationary excesses. One was that the Federal Reserve banks were required to hold reserves in gold of not less than 40 percent of the amount of their Federal Reserve notes (paper currency) outstanding, and the public could demand redemption in gold for any Federal Reserve notes held.

Another legislated safeguard was that the balance of notes outstanding that was not secured by gold had to be secured by the pledge of "...notes, drafts, bills of exchange arising out of actual commercial transactions..." that were rediscounted by those banks. Such notes, drafts, and bills of exchange were short-term, self-liquidating promissory notes reflecting the movement of goods to the markets for sale. When held by the central bank, these instruments represented a claim on outstanding purchasing media: repayment of the loans represented by such instruments involved the removal from circulation of an equal amount of purchasing media that the borrowers had acquired as things were sold. This arrangement was intended to promote dynamic balance between the dollar value of gold and other products offered in the markets, on the one hand, and the amount of purchasing media available to bid for the gold and other products on the other hand.

The gold provisions both enhanced the domestic and international acceptability of the purchasing media and established an upper limit to the amount of the Federal Reserve notes that could be issued, given the stock of gold held by the central bank. Within that upper limit, the provision requiring backing by rediscounted trade paper provided a means by which the volume of paper currency could expand and contract in accordance with the sustainable needs of business and agriculture.

Purchasing media comprised checking accounts in commercial banks as well as paper currency. However, with checking accounts redeemable in currency and with currency redeemable in gold, total purchasing media reflected the gold-convertible limitations of the aforementioned provisions of the original Federal Reserve Act.

These were useful provisions because they set limits to the Federal Reserve's inflationary actions. But over the years whenever the limiting features of the Federal Reserve Act began to pinch, the Congress amended the Act in order to permit continuation of "easy" money-credit conditions in the mistaken attempt to stimulate economic activity in the short run. So, true to history, government (no doubt egged on by the bankers) has continually promoted a "little more"

inflating. Now the monetary scene is a mess in the United States and throughout the free world. Clearly the Federal Reserve has played a major part in creating these conditions and thus has demonstrated its uselessness for the purpose of maintaining reliable money.

What were disastrous were the policies of the Federal Reserve (and of the Congress). The unverifiable theory that the Federal Reserve was the product of a bankers' conspiracy seems unessential to the case against the Fed. Indeed, by distracting attention from the significant aspects -- the policies themselves -- conspiracy theory may unwittingly prolong the harmful policies.

THE ORIGINAL FEDERAL RESERVE ACT: SOME ELEMENTS OF COMPROMISE

A few provisions of the original Federal Reserve Act (it has been amended many times) illustrate its compromise features. It provided for a system of district (regional) Federal Reserve banks (12 districts were formed) and a Federal Reserve Board. The district banks satisfied regional interests and those who opposed Eastern banking influence. Provision for the Federal Reserve Board met the desires of those who perceived a need for a unified central banking structure. The Federal Reserve Board consisted of seven persons: the Secretary of the Treasury and the Comptroller of the Currency as *ex officio* members, and five members appointed by the President with the advice and consent of the Senate. No more than one of the five could be from any one Federal Reserve district. During the time in office and for 2 years thereafter Federal Reserve Board members were prohibited from holding "any office, position, or employment in any member bank."

Although owned by the private member banks of its district, each Federal Reserve bank's policies were set by a nine-person Board of Directors. There were three classes of Directors (classes A, B, and C), each class having three persons. To reduce the power of big bankers, the member banks of each district were divided into roughly three equally numbered groups by capitalization size of banks, and each group elected one each of classes A and B Directors. Class A Directors were bank representatives. Class B Directors were from industry, commerce, or agriculture in the district. Class C Directors were designated by the Federal Reserve Board, and two of those three were designated Chairman and Vice Chairman of the Reserve Bank's Board of Directors.

Powers of the Federal Reserve System to affect credit conditions also were shared between the regionalized Federal Reserve banks and the centralized Federal Reserve Board. Every Reserve bank made its own decisions about the volume of loans and investments it would make, but only from those specified as "eligible" by the Act and "under rules and regulations prescribed by the Federal Reserve Board." Every Reserve bank also established its own discount rate (the interest rate it charged its member banks for borrowings), "subject to review and determination of the

Federal Reserve Board." Raising the discount rate "tightened" credit conditions; lowering it "eased" credit conditions.

NOTES

1. *Congressional Record*, 63rd Congress, 1st session, I, 513-514, 5992-96, quoted in *Documentary History of Banking and Currency in the United States*, Hennan E. Krooss, ed., Chelsea House Publishers, 1969, pp.2423-2425.
2. Eustace Mullins, *Secrets of the Federal Reserve*, pp.21-22.
3. For more about the legal structure of the Federal Reserve System and its current policy instruments, we suggest readers consult the pertinent sections of an introductory-level money and banking college textbook.

V. What Do International Bankers Want?

Although reliable evidence supports several of the claims made in conspiracy literature, the preoccupation among conspiracy proponents with the distant historical "connection" between Wall Street bankers and the Bolshevik Revolution may also have diverted attention from banking policies that influence international events. According to conspiracy theory, that Wall Street banking firms with Jewish managers helped to finance the Bolshevik Revolution is proof that many international bankers were Jewish Communists in league with the "bigger conspiracy to control the world." These conspirators allegedly had (and have) little fear of Socialists because they are confident they could (and can) control them. We agree that the policies advocated today by some international bankers, academicians, and multinational corporate leaders, if implemented, would introduce central control over global economic activity. But while the Bolshevik precedent may have indicated the bankers' willingness to engage in commerce with totalitarian regimes (as they evidently have throughout recorded history), there simply is no other relevant and demonstrable relationship to link that past episode with present policy. The case against "global management" will not be strengthened, in our opinion, by tortuous attacks against "Jewish plotters" or "Wall Street Communists." The case against central management of economic activity (with its overriding importance to individual sovereignty) can be supported with much more telling argument and evidence than that offered by conspiracy theorists.

There is, to be sure, corroborating evidence from a variety of sources indicating that Wall Street bankers did help to finance the Bolshevik Revolution. But this does not establish that they, themselves, were Communists. According to Antony C. Sutton, in *Wall Street and the Bolshevik Revolution*, three independent sources, including his grandson, maintain that Jacob Schiff (who was Senior Partner in Kuhn, Loeb, and Company and father-in-law of Felix Warburg) provided an approximately \$20 million loan to the Bolsheviks. Sutton also offers documentation that a consortium of banking interests, including *inter alia* the Morgan group and the Rockefeller-Standard Oil group, were involved in providing financial support for the new regime. Gary Allen

attempts to implicate Paul Warburg also. According to Allen, Lenin "took some \$5 to \$6 million in gold" into Russia through a deal "arranged by the German High Command and Max Warburg." "The picture," he writes, "takes on another dimension when you consider that the brother of Max Warburg was Paul Warburg."

Contrary to conspiracy notions, however, such financial deals are not necessarily evidence that the bankers were Communists, or even that they wanted the Bolsheviks to triumph. While it is understandable that conspiracy theorists express disbelief that international bankers would finance a regime whose professed goal was to strip men such as themselves of their wealth unless they were committed Socialists themselves or expected to direct the course of revolution, there are several other possibilities.

For example, that the German banker Max Warburg participated with the German High Command in arranging financial backing for Lenin seems consistent with the aims of German military strategy. The Germans wanted Russia out of the war, and they obtained such assurances from Lenin in return for financial aid. However, there is no evidence that Paul Warburg -- who resigned from the Federal Reserve Board as a result of combined anti-German and anti-Semitic sentiment -- played any role whatsoever in the matter, or that he acted in any other treasonable way. He may have, but the fact of opportunity does not establish a fact of culpability. Indeed, many Americans had close relatives fighting for enemy countries at that time, yet those Americans were not thereby guilty of treason.

The Ethnic Element

Nor was the aid that Jewish American bankers gave to the Bolsheviks conclusive evidence that they sympathized with the Communist cause. Antony Sutton suggests that individuals such as Jacob Schiff were willing to invest millions of dollars in the hope that such aid might contribute to the emancipation of Russian Jewry, which for centuries had suffered discrimination at the hands of czarist regimes. An illustrative telex message appealing for aid from Russian Jewish bankers to prominent New York Jews (Jacob Schiff, Louis Brandeis, Oscar Strauss, Louis Marshall, and Henry Morgenthau) conveys an innocent context in which financial aid might have been extended:[1]

We Russian Jews always believed that liberation of Russia meant also our liberation. Being deeply devoted to country we placed implicit trust [in] temporary Government. We know the unlimited economic power of Russia and her immense resources and the emancipation we obtained will enable us to participate [in the] development [of our] country. We firmly believe that [a] victorious finish of the war owing [to the] help [of] our allies and United States is near.

When, a year after the Revolution, Schiff learned from Russian Jewish bankers of "Bolshevik devastation," he appealed to the U.S. State Department to give consideration to pleas for allied intervention against the Bolsheviks.

Although some Jews no doubt were Communists, widespread early Jewish support for the

Bolshevik Revolution apparently was prompted not by ideological sympathy for the Communists but by sympathy for the oppressed members of the Russian Jewish community and by expectations that as Jews they might get preferential treatment should Jewish bankers attain positions of influence in the new regime. Russian bankers who appealed to Schiff and others for aid to the Bolsheviks may have had a special interest in the cause -- but not necessarily because they subscribed to Communist dogma. As events transpired, the Communist regime perpetuated anti-Semitism, and many of the same bankers in Russia who initially supported the revolution subsequently suffered death, exile to Siberia, or deportation. They paid a dear price for their miscalculation.

What some people interpret as a "Jewish conspiracy" also may more likely be a reflection of a broad cultural tendency. Thomas Sowell, in his recent *The Economics and Politics of Race; An International Perspective*, has chronicled the economic behavior of Jews in many countries over many centuries. In nearly all cases, Jews distinguished themselves as highly productive workers -- indeed, so much so that in many societies they were restricted to certain professions (such as money lending) for fear they would gain too much control. As a group Jews are, Sowell concludes, culturally advantaged in the marketplace by virtue of their habits of thrift, hard work, and entrepreneurship. Indeed, in relation to their numbers in the total population, Jews are overrepresented in nearly all of the profession: medicine, science, law the media professions, and music as well as in banking and finance. Within these groups, vast disagreements among Jewish practitioners preclude the operation of any "conspiracy." To cite their prominence *per se* in any one of these professions as evidence of a "Jewish conspiracy" is no more warranted than it would be to conclude that Hispanics have "conspired" to remain at the bottom of the U.S. economic heap.

It also is hard to conceive that a Rockefeller or a Morgan -- neither of whom was Jewish -- would entertain much ideological sympathy toward the Bolsheviks since they, themselves, were prime targets of communist agitators and terrorists in the United States. (They earlier had loaned funds to the czarist government.) In April 1919 a nationwide plot hatched by communists was uncovered after a large bomb was discovered in Seattle Mayor Ole Hansen's mailbox following a general strike led by Bolsheviks and the IWW. A quick investigation of the New York Post Office revealed 16 bomb packages. They were addressed not only to public officials such as Attorney General A. Mitchell Palmer and Postmaster General Albert S. Burleson, but also to the international bankers John D. Rockefeller and J. P. Morgan. In September 1920 a wagonload of explosives was set off in front of J. P. Morgan & Company in New York, killing 38 people and injuring more than 200. What seems most astonishing is that the Rockefellers or Morgans would continue to do business with the Bolsheviks at all after such ruthless attacks, but of course Bolsheviks could disavow knowledge of or participation in them.

Because the Wall Street-Bolshevik alliance was neither a "Jewish" nor a "Communist" conspiracy is not to say that it revealed nothing about the behavior of the international bankers then. Surely international bankers had some reason(s) for providing funds to the Communists. Antony Sutton claims that the "alliance between international political capitalists and international revolutionary socialists" benefited both. The benefits to communist revolutionaries are obvious. Bankers benefited, he asserts, because "the totalitarian socialist state is a perfect captive market for monopoly capitalists, if an alliance can be made with the socialist

powerbrokers." Clearly, such an alliance requires no ideological commitment one way or the other on the part of Wall Street. Indeed, the historical record confirms that, except for wartime, international bankers have been willing to do business with virtually any regime -- socialistic, fascistic, and monarchistic centralized states as well as with more decentralized "free" economies. One way or another, the bankers evidently have rationalized their business dealings, no matter what the costs were to the people who lived under the rulers who received the bankers' funds.

International "Development" Banking

Whatever was its political character, the distant Wall Street-Bolshevik connection casts only a sidelight on the international banking situation today at least for now. Attention given to World War II, the Civil Rights Movement, and the cold War has clued the public (even if in slanted fashion) to at least some of the connections between politics and international trade and finance. In view of media attention accorded such activities as bribes to foreigners for contracts, the sale of American grain to Russia, the export of equipment for use on the Siberian pipeline, American investments in South Africa, the threat to some U.S industries from imported goods, and the continuing "international debt crisis," it is unlikely that American-based international banks or multinational corporations would be able to engage in surreptitious commercial or financial activity for long.

Yet, the mere public awareness that some types of activities are occurring does not ensure that the public accurately perceives the significant implications of the activities and, through the political process, will restrain those not in the public's interests. In different words, the public must be educated to the probable consequences from the financial and monetary deals being worked out. A case in point is the highly publicized focus of international finance and investment in countries of the Third World during the past 2 decades or so. Penetration of international financial and commercial markets has been pursued in the name of economic "development," purportedly designed to foster the twin goals of a "more equitable New International Economic Order (NIEO)" and a more peaceful world, ordered by an international bureaucracy charged with the responsibility of "managing international interdependencies."

For more than a decade, the programs of would-be "global managers" have been tested. A powerful coalition of international bankers, corporate leaders, academicians, and government officials in the United States, Western Europe, and Japan -- allegedly has sought to bring economically backward countries quickly into modern-economy status. Private international bankers, U.S Government agencies, agencies of governments in other developed countries, and international lending agencies have bureaucratically directed large flows of funds into "developing countries, overriding the market process for allocating funds. As the historical record presaged, international bank loans, government-to government (bilateral) aid, and international agency (multilateral) grants have been channeled for the most part through and to the *politically powerful* (regardless of their political or economic persuasion). In the recipient countries, the funds have been distributed according to who-knows-what criteria, but always -- where government or government-connected parties have been involved -- according to the

criteria established by a few "managers." Thus far, the most notable result has been the continued impoverishment of the masses in most recipient countries, heightened social unrest that provides the excuse for even more government control of the people, and the much-publicized "international debt crisis" that threatens to bring more debilitating inflating to the United States.

Perhaps the private international bankers genuinely believed that their own loans (mostly "guaranteed" by some government entity) plus direct government aid funds would promote real economic growth and a greater investment opportunity. If they did, they failed to analyze the situation properly. Perhaps, on the other hand, the private international bankers did analyze the situation correctly and could see that the funds most likely would promote more government corruption and intrusion, less economic advancement, and ensuing political and economic turmoil but reasoned either (1) that they could get in, reap high profits, and get out again before the longer-term problems became costly to them, or (2) that once the countries became dependent on aid grants and bankers' credits, the bankers and their allies in the aid agencies would have the power to dictate appropriate reforms" -- perhaps political as well as economic.

The actual motives behind the credit that bankers extended, or the aid grants of the United States and other governments will never be known. We should guess that the motives were as many as the decision-makers over the period involved.

Flawed Economic "Theory"

Whatever the motives were, the economic "theory" that elected U.S officials used to justify the passage of laws enabling the political process to override private market allocations of funds could have been analyzed and its defects uncovered. Indeed it was, explicitly by some and implicitly by others. For the most part, private creditors and investors were not ready to commit these sums of funds to private entities in Third World countries without Western Government participation (direct aid, loans, or guarantees) of some type. This was a sign that something essential to the economic process was missing: among possibilities are political and economic freedom, economic "infrastructure," skilled or otherwise prepared labor, or attractive enough economic projects. The significant point is that enforceable political decisions replaced voluntary market decisions, and that is a nearly certain prescription for economic failure.

The danger today is that the failed policies will be the excuse bankers and government officials use to justify even more central planning and even greater government involvement in international economic affairs. Even "reluctant" supporters of IMF and World Bank bailouts of the profligate creditors including Presidents Reagan and Bush have warned of the "economic nightmare that could plague generations to come" if more funds and more of the product of Western producers are not directed by the international managers.

Virtually every Secretary of the Treasury since the loans were made has said that failure to support the IMF would result in loan defaults, major bank losses, sharp costs in bank lending, a major decline in world trade, and lost jobs. Economics Nobel laureate Wassily Leontief described the consequences of failing to support the IMF more tersely: "Either we save the third

world and the banks now, or we create political turmoil now, save the banks later, and give up entirely on the countries." In response, a hesitant Congress in 1983 appropriated and additional \$8.4 billion to the IMF, and commercial bankers continue to lobby for billions more.

Critics of the international banking establishment and the IMF are justifiably angered by the use of government power to force money transfers that will end up in the pockets of the very bankers whose unsound policies based at least part on greed were instrumental in creating the crisis. For the market system to function effectively, the reward of profit for economically sound decisions and the punishment of loss for unsound decisions must not be circumvented. Among other things, this process increases the control over resources of those who demonstrate success and reduces the power of those who prove themselves incapable. In contrast, government-directed economic failure often receives the reward of more funds, and the persons responsible gain greater power to direct resources. Government bailouts of private-sector mistakes likewise perpetuate in economic power the demonstrably incompetent.

Thus, long-term harm to the potential for Third World economic growth -- and to the economic well-being of producers in the industrialized counties -- will result from continued reliance on "global management" to solve "problems" and promote "economic order." Already in Brazil, Mexico, Argentina, Bolivia, and 142 other developing countries, the IMF and the World Bank -- with the active participation of international banks such as Citicorp and Chase Manhattan -- have imposed so-called "austerity measures" as a condition of continued credit. These measures have placed a wide range of controls on economic policies in debtor countries: *e.g.*, lowering of subsidies to producers of domestic staples and export commodities; restructuring of indexed wage agreements; and currency devaluations. Even so, the debtor nations continue to be unable either to stabilize their own currencies or to pay their debt obligations.

Plainly the overindebted countries had to take steps to end the domestic overconsumption that the earlier excessive debt growth financed. But on the basis of the record so far, there is little reason to expect that the specific programs designed by the World Bank and IMF central managers will succeed. Like other "managed" programs, they rely on present institutional structures and in the process more firmly entrench them. Yet, the present institutional arrangements -- political, social economic, legal -- may be the chief obstacles to economic improvement. Many debtor countries have protested that the austerity measures have hindered their economic progress and undermined the fragile authority of their elective governments. Several countries have already canceled their previous agreements with the IMF -- which casts even greater uncertainty on the future operation of international financial markets.

Plainly, some "adjustment" is required if international financial transactions are ever to reflect economic realities. This will not be accomplished by ever-greater reliance on policies that were designed to restructure the world economy according to some vague notion of an "equitable world order." A durable process of "adjustment" will involve a greater adherence to market signals - domestic and international. This seems the only genuine hope for progress.

NOTES

1. Antony C. Sutton, *Wall Street and the Bolshevik Revolution* (New Rochelle, NY Arlington House, 1974, pp.194-195.

VI. The Trilateralists' Road To Power

The conspiratorial link between the archaic conspiracy of Cecil Rhodes and the alleged present plot to dominate the world has centered in most of the related literature on the activities of the Council on Foreign Relations.[1] Founded in 1919 as the American branch of the "Roundtable Group" (the successor to the Rhodes Secret society), this organization gained increasing influence in U.S. power circles from 1920 to 1960. Much evidence supports Gary Allen's assertion in *None Dare Call It Conspiracy* that by the 1950's, the CFR had become "the most influential group in America" in regard to the development of American foreign policy, even though it hardly proves a conspiracy. Views circulated by the CFR often became the policy of the State Department. Every U.S. Secretary of State since 1949 has been a member of the CFR.

Proponents of conspiracy theory have compiled dozens of lists of thousands of CFR members (past and present) in positions of authority in the Executive branch, in Congress, in the U.S. military, in international banking, in multinational corporations, in academic professions, and in the media industries. Indeed, with past and present membership numbering in the thousands, it is a simple matter to find CFR members in virtually all spheres of public life. By the early 1970's nearly everybody who was deemed "anybody" in Washington was invited to join the CER. Active membership in the organization increased from 1,200 to 1,800 in 1970 alone.

It seems doubtful that membership in the CFR today is restricted to those who subscribe to a rigid set of narrowly similar views. Rather, the recent history of the CFR provides a textbook illustration of what happens when an elite organization exceeds "manageable" size. That is, the greater the membership, the greater the chance that the views of the members will diverge. For example, it is likely that William F. Buckley, Jr. and John Kenneth Galbraith -- both past CER members -- disagree at least as much as they agree on foreign policy and economic issues. Equally important, the value that members attach to their association with an organization (and hence, their willingness to do its bidding) decreases as membership in the organization grows and becomes less "exclusive." (Nobody wants to join a club that lets anyone in.) Over a period of time, the organization ceases to inspire either "consensus" or "concerted action." Although the CFR may still exert considerable influence in government, business, and intellectual circles, its power has apparently declined.

The once-powerful international "Bilderberger" organization apparently has also suffered a loss of influence in international political and economic affairs. Often mentioned in works on the conspiracy as a group of "super-secret internationalists," the Bilderbergers -- whose membership included leading international bankers such as David Rockefeller and Baron Edmond de Rothschild, and political figures such as Sir Alec Douglas-Hume and Helmut Schmidt -- became the focus of media attention in 1976. At that time Bilderberg Chairman Prince Bernhard of The Netherlands was publicly disgraced by the disclosure that he had accepted a \$1.1 million bribe

from the Lockheed Aircraft Corporation while serving as purchasing agent for the Dutch government.

For exclusivity and probably influence, both the Bilderbergers and the Council on Foreign Relations apparently were eclipsed in the 1970's by the "Trilateral Commission." With "commission" in its name, some may infer the Trilateral commission has some official status, but it does not. It was first organized at a meeting held at Pocantico Hills, New York (the location of the Rockefeller retreat), on July 23-24, 1972. At this organizational meeting, David Rockefeller and Zbigniew Brzezinski outlined a plan for a "high-level consultative council for global cooperation" such as had been described by Brzezinski in his 1970 work entitled *Between Two Ages -- America's Role in the Technetronic Era*. According to this plan, "a private organization whose primary objective ... would be to bring the best brains in the world to bear on the problems of the future" could manage international affairs more effectively than could sovereign nations.[2] The resulting Trilateral Commission, which first convened formally in July 1973, has a membership of some 200 individuals from the three "Trilateral regions": North American (United States and Canada), Europe, and Japan. From this group, an Executive Committee of 36 (11 from the United States, 2 from Canada, 9 from Japan, and 14 from the European community) plans the Commission's agenda. The full commission meets once every 9 months in one of the regions to consider reports from its "task forces."

However, the ascendancy of the Trilateral Commission has not left the Council on Foreign Relations without function. U.S. members for the more selective Trilateral commission are largely drawn from the Council on Foreign Relations. Expanded membership in the CFR has enlarged the "talent pool" from which Trilateralist leadership can choose new members.

Until a few years ago, the CFR was the Trilateral Commission's exclusively "American" mouthpiece. Although the CFR claims not to "represent any consensus of beliefs" and professes "a broad hospitality to divergent ideas," the published "disputes" are confined within a narrow range. (The questions debated were not whether "managed" wealth transfers advance genuine and lasting progress, but how much, how soon, and in what form such transfers ought to be made; or not whether increased trade with the Communist bloc was advised, but how much and when.) Through articles in the CFR publication *Foreign Affairs*, Trilateral views (some of which may conflict with the interests of the United States) can be packaged especially for the American audience and provide the seemingly objective intellectual support for the planned changes.

It seems futile to try to ascertain whether or not the Trilateralists have a "secret Agenda" for promoting world government with its leadership at the head. Regardless of what secret plans the Trilateralists may or may not have, enough of their practices and objectives are known to assess the probable effects of Trilateral plans. Membership in the Trilateral Commission is not kept secret, and the Commission's proposals are widely distributed in written reports (formerly called *Triangle Papers*). Anyone can purchase these reports by writing to their publisher: New York University Press, Washington Square, New York, NY 10003. The Trilateral Commission until recently published occasional numbers of the journal, *Trialogue*. We emphatically do not subscribe to the views proffered in these publications, but print their addresses simply to dispel the idea that the Commission's declared work is not accessible to the public. More recently the Institute for International Economics has served as a vehicle for disseminating Trilateralist

views. Headed by Trilateralists C. Fred Bergsten and Peter G. Peterson, since 1983 this organization's publications have to some degree eclipsed the Trilateral Commission's publications. As with Trilateral Commission publications, IIE publications are available to the public. The Institute's address is 11 Dupont Circle, N.W., Washington, DC 20036.

The published objectives of the Trilateral Commission are in themselves vitally important. Policies implemented or proposed by Trilateral countries and international organizations such as the IMF and the World Bank often were presented and argued earlier in Trilateral Commission publications. In general, these reports advocate more central planning and control of economic activities as a way to achieve more stability, equity, and employment.

Who "Commissioned" the Trilateralists?

As mentioned above, the Trilateral Commission has no official standing, in spite of the appearance of "commission" in its name. To the contrary, Trilateral Commission membership may breach U.S. law for some of its members. This is not because, as some assert, the Trilateral Commission is an "illegal super-secret political party." But neither is it, as David Rockefeller claimed, merely a group of "private citizens of Western Europe, Japan, and North America to foster closer cooperation among these three regions on common problems."

The Trilateral Commission is not super-secret; its publications are publicly available and its membership records are available also. It is not a "political party" in the conventional sense of that name; no candidates for office are fielded under the Trilateral banner. Nevertheless, for some such as Henry Kissinger, Paul Volcker, and Caspar Weinberger, Trilateral connections unquestionably were a conduit to official positions, even though many of its members expressed strong contempt for elective "politics." It professes to be nonpartisan, with seeming justification. Former Presidents George Bush, a Republican, and Jimmy Carter, a Democrat, have both served as "Commissioners."

But it is not just a group of "private citizens" either. After the inauguration of Jimmy Carter as President of the United States, numerous articles appeared in newspapers and magazines citing the new President's former membership in the Trilateral Commission. In addition to Mr. Carter, the Vice President, the Secretary of State, the Chairman of the National Security Council, the Deputy Director of the Central Intelligence Agency, the Under Secretary of State for Economic Affairs, the Secretary of Defense, the Secretary of the Treasury, the Chief Arms Negotiator, and the U.S. Ambassador to the United Nations had all been Trilateral Commission members.

When President Reagan assumed office, Trilateral Commission "representation" in the Executive branch diminished, but it did not disappear. Vice (now President) President Bush was a member, as was Secretary of Defense Caspar Weinberger. William E. Brock, III, the U.S. Trade Representative was, and so was Federal Reserve Chairman Paul A. Volcker. The Trilateral Commission's "parent," the Council on Foreign Relations, was more widely represented. CFR members in the Reagan Administration included the Vice President, the Secretary of State, the Secretary of the Treasury, the Secretary of Commerce, the Director of the Central Intelligence

Agency, the U.S. Trade Representative, the Under Secretary of State for Political Affairs, and the Secretary of the Navy. Of 1984 Democratic Presidential contenders, Mondale, Glenn, and Cranston were Trilateralists. Members of the Bush Administration who were members of the Trilateral Commission or the Council on Foreign Relations included: President Bush, Secretary of Defense Richard B. Cheney, Secretary of the Treasury Nicholas F. Brady, and Attorney General Dick Thornburgh. Many recent appointees to the Clinton State Department, including Secretary of State Warren Christopher, have been members of the Trilateral Commission or the Council on Foreign Relations.

The statutory legality in the United States of membership in the Trilateral Commission is a more serious matter for some members. Rockefeller's assertion that members of the Trilateral Commission are all "private Citizens" is false. U.S. Executive appointees have resigned from the Commission when they entered public office, but other public officials have retained their membership. Senators William S. Cohen, William V. Roth, Alan Cranston, John Glenn, and John C. Culver; Representatives John Brademas, Barber B. Conable, Jr., and Thomas S. Foley; and Governor James R. Thompson all retained their Commission memberships while in office.

Crucial to the question of American legality is the membership of many officials of foreign governments in Europe and Japan. More than 20 European government officials (among them Edward Heath, member of Parliament and former Prime Minister of Britain, and Gerhard Schroder, member of the Bundestag and former Foreign Minister of the Federal Republic of Germany) and several Japanese government officials (Kiichi Miyazawa, member of the Diet; Euchi Nagasue, member of the Diet; and Nobuhiko Ushiba, Advisor to the Minister for Foreign Affairs) were on the Trilateral Commission while they held office. The Logan Act explicitly prohibits U.S. citizens not in appropriate government positions from attempting to deal with foreign government officials on aspects of foreign relations. Yet, this is precisely what the Trilateral Commission focuses on. Although the private U.S. citizens on the Trilateral Commission have not been challenged in court, their activities would appear to be a violation of the basic principle of the Logan Act (so long as foreign government officials remain on the Commission).

An Elitist Bureaucracy

An analysis of North American membership in the Trilateral Commission confirms that three distinct professional elites dominate its membership: the international banking establishment, the think-tank intelligentsia, and the multinational corporate leadership. The membership of the Commission is constantly changing as its members move in and out of government and business positions, but a pattern of representation seems fairly constant. Excluding active political officeholders, representation on the Commission is divided roughly this way:

Think-tank academics	40%
Bankers and related legal executives	25%
Multinational corporate executives	25%

Labor union representatives	5%
Mass media representatives	5%

The higher percentage of "intellectuals" (think-tank members) on the Commission may or may not reflect their relative influence on its positions and recommendations. Just as easily, they could unwittingly be the pawns of the moneyed interests on the Commission, doing most of the Commission's intellectual "work." It is the think-tank members who actually do the "research" and write the drafts of the Commission's various reports. In these tasks they are "guided" in varying degrees by other members as to what avenues of approach seem most fruitful. The studies' "conclusions" can thereby be molded in advance. The full Commission then purportedly reviews all work. The Commission itself describes this as the "Trilateral Process," and for each policy report there is a specific "Schedule of Task Force Activities."

The "Schedule of Task Force Activities" for a representative Triangle Paper (see the box on page 46) suggests the extent to which the Trilateralists pay tribute to the appearance of objective inquiry and scholarship. It also reveals a bureaucratic mentality of grandiose scale. Participants fly at Commission expense to New York, then to Paris, and then to Tokyo an itinerary that must surely reinforce their own self-esteem. But it is bureaucracy nonetheless -- a global bureaucratic elite carefully selected from other sub-elites (such as the CFR) by like-minded bureaucrats.

The Trilateral Commission's selection criteria for banking and multinational executives are fairly obvious. Generally, these people are at the very "top" of their professions (or are selected for their potential to reach the top) and have an obvious interest in promoting international stability and market expansion. The chairmen of Lehman Bros.; Brown Bros., Harriman; Chase Manhattan; Coca-Cola; John Deere; Hewlett-Packard; and Texas Instruments have been or are Trilateral Commission members. If the thinking of high-ranking businessmen such as these can be shaped along certain lines, it is but a short step to influencing much of U.S. international business practice and -- insofar as such persons also have political clout -- to influencing Government policy toward U.S. international business.

The process of Trilateral selection from the academic professions is less clear. "Ascent" to Trilateral Commission membership does not seem to depend on membership in any secret order, such as "Skull and Bones" at Yale, as some writers assert. Rather, it seems an offshoot of the academic mentor system, through which promising students receive special attention and professional sponsorship under the tutelage of one or more established academic patrons -- who themselves advance their reputations and spread their viewpoints by manipulating (guiding) the careers of their proteges. This system, which often does involve some unannounced *quid pro quo*, has functioned in one form or another since the Middle Ages. It is commonly referred to as the "old boy network," and it is the way power often has been pursued in many walks of life.

The careers of two of the leading Trilateralists are illustrative. Phyllis Schlafly and Chester Ward's *Kissinger on the Couch* chronicles Henry Kissinger's rise to power through the ranks of academia. In 1942, Henry Kissinger was a private in the U.S. Army. His initial introduction to the academic old boy network came when he caught the attention of Col. Fritz Kraemer, twice a Ph.D., who became his first mentor. Kraemer interested Kissinger in philosophy, political theory, and international relations and helped arrange a scholarship at Harvard for his protege after the

war. His second mentor was William Yandell Elliot, who sponsored his graduate career and an instructorship at Harvard. In this position Kissinger came to the attention of Hamilton Fish Armstrong, editor of The Council on Foreign Relations' publication *Foreign Affairs*. Armstrong agreed to publish several of the young Kissinger's articles.

This ought not to seem too surprising, since the senior faculty members at schools such as Harvard, Yale, and Princeton are generally the "best connected," most faculty members having made the rounds of many other institutions before receiving "the call" to one of the Ivies. Senior faculty often promote the careers of their junior colleagues by introducing them to likely publishers. But as Schlaflay and Ward observe: "A simple article in *Foreign Affairs* will not make a career -- but three or four will launch one off to a good start."

From Harvard, the next step was an invitation to join the CER as "Director of Nuclear Weapons and Foreign Policy Studies." Here, Kissinger met the Rockefellers, Nelson and David. They appointed him director of the "Special Studies Project" for the Rockefeller fund in 1956, from which position he could direct the flow of financial support to those who -- like himself -- showed intellectual promise and espoused a viewpoint consistent with his own and that of leading CFR thinkers. From there, Kissinger had but a short step to "public service."

This pattern: university faculty member, to think-tank fellow (any one of dozens), to CFR-Trilateral membership -- then in and out of government or quasi-government positions and private positions with multinational corporations, commercial banks, or investment banks (Kissinger served on the board of Shearson/American Express) -- is typical of the careers of Trilateral intellectuals.

Zbigniew Brzezinski's career somewhat paralleled Kissinger's. Brzezinski received first-class honors at McGill University, went on to the graduate school at Harvard (Ph.D., 1955), joined the Harvard faculty (Assistant Professor of Government, 1956-60), became Director of the Research Institute on International Change (1962-77), joined the Trilateral Commission as its first Director (1973-76), and then entered government as Assistant to the President for National Security Affairs (1977-81).

For those who want to exercise authority over their fellow men (many academics seem less interested in accumulating wealth than in leading others) there is an established path to power. The degree to which secrecy -- or conspiracy -- plays a part in it cannot be reliably ascertained. But there is much about it that ought to invite closer scrutiny. As events have turned, the Trilateral Commission-CFR alliance between the money brokers and the intellectuals has been and is a potent persuasive force for global mischief making.

NOTES

1. See *Glossary of Organizations* for brief descriptions of a number of organizations frequently associated with conspiracy theories and global "management" policies.

2. From information in "The Trilateral Commission," *The Freeman Digest*, Vol. VI, No.7, January 15, 1978, published by the Freeman Institute.

VII. The New World Order I: Molding Public Thought And Opinion

In the Trilateral Commission's publications, Trilateral advocates have developed a vocabulary (set of names) conducive to molding public opinion toward acceptance of greater central (bureaucratic or government) management of the economy -- domestic and international. As the Glossary of Globalist Names at the end of this chapter suggests, inaccurate and evasive naming that corresponds neither to things, events, nor relationships -- as well as naming in contexts that generate subtly prejudicial associations -- tends to confound independent thought and give credence to Trilateralist objectives. Trilateralist language does not appeal to the hates of the past, but to the sensibilities of members of affluent "democratic" cultures. Globalist literature eschews names and phrases that might elicit negative emotional responses (these 'night reveal disadvantages and costs rather than benefits); instead, globalist literature employs names that have favorable connotations.

Many names and phrases in the Trilateral lexicon mirror the principal techniques of thought control by the manipulation of language that were enunciated by George Orwell in 1984: the invention of names, the suppression of "heretical" names, the abbreviation or contraction of names, reliance on euphony, and the use of names to refer to the opposite of that in common usage. Certain names appear repeatedly in contexts that provide strong favorable connotative cues.

Three names so used -- "interdependence," "unilateral," and "multilateral" -- predominate in Trilateralist literature. "Interdependence," used to describe the economic relationships among sovereign nations, possesses both explicit and connotative associations. The dictionary definition of "interdependence" is mutual dependence. Although "dependence" itself is neutral -- and may or may not connote vulnerability (which in turn implies threat) it nearly always does so in Trilateralist literature. *Triangle Papers* allude to an "intensification of interdependence" that "becomes even more painful." Thus interdependence describes "increased vulnerability of the Trilateral countries to one another as the economic networks binding their economies together multiplied." This use of "interdependence" to describe relations between countries trying to "shield themselves from the actions of others" thus subtly conveys the notion that management or oversight by some bureaucracy is essential in order to reduce vulnerability. Use of a different name or phrase to describe the same economic relationship among countries -- such as "interactant," "interrelated," or "engaged in mutually beneficial trade" - would not convey such a sense of risk that things might go awry if not managed.

"Unilateral" also has an explicit referent but it, too, conveys implicit associations. The dictionary definition is "one-sided" which in turn implies "narrow-minded" and "unfair." Used in Trilateral context -- such as in the appeal to "move ahead in fashioning new sharing arrangements rather than continuing the drift back to unilateralism" -- "unilateral" cues readers to oppose things so described. The phrase "in the national interest" used to describe the same thing would be a

different, more favorable cue. "Multilateral," on the other hand, refers to "many-sided," and by implication to even-handed and fair treatment. It cues readers to think favorably of things so described. The use of the phrase, "sacrifice of the national interest" instead of "multilateral" would elicit a different, less favorable, emotional response.

Certain names almost never appear in globalist literature: "jail," "prison," "coercion," "armed force," "confiscation," "expropriation," "dictatorship," "armed threat," "invasion," "military occupation." These and many other names that describe how "international order" might be achieved have been expunged from the Trilateral lexicon. Instead, "management" is used to refer to the entire scope of activities that might be undertaken in pursuit of the New International Economic Order. The adjective "appropriate" is often appended to names such as "measure," "policy," and "response," with all specifics as to why something is "appropriate" left to the reader's or listener's inference.

Thought Control?

Moreover, by abbreviating names of highly complex things or groups of things into a single simple name, Trilateral naming subtly narrows, distorts, and directs thought about them. Consider, for example, the name "South." In Trilateral language, this name is used to refer collectively to all of the "less-developed countries (LDCs)" of the world. Frequently it appears in discussions of the so-called "North-South dialogue" or "North-South partnership" (the "North" refers to the "developed countries" as a group). Although many less developed countries are located in the southern hemisphere, even brief reflection reveals that so used, the name "South" is an inaccurate description. Australia, New Zealand and South Africa, for example, are not "LDCs." Conversely, most of Africa and all of southern and eastern Asia are located outside the southern hemisphere.

Why, then, the name "South"? The use of the name "South" to refer to any nonindustrialized place permits globalists to circumvent the "messy" task of convincing taxpayer-citizens that the globalists' program in its specifics is in the public interest. Obscurantism disarms potential public opposition much more readily. That the elitist Trilateral bureaucrats may be wrong about what they think is in the public interest apparently is of no significant consequence to them.

Although Trilateralist language is not nonsensical "gabble," it reflects a bias for names that obscure rather than clarify and lull rather than awaken. There is so much "sharing," "fairness," "equitable consideration," "harmonious integration," and "positive adjustment" in Trilateralist work that the less than fully alert reader easily might be lulled into believing that this is a planet of saints and the leaders of the New International Economic Order a band of angels. This is far from the actual, for these soothing names are the tools of the language of power.

Trilateral Commission Proposals

Each of the Trilateral Commission's numerous "Task Force Reports" utilizes language in this way to persuade readers to the Trilateral viewpoint on some important issue affecting the world economy. *Triangle Papers* are co-authored by one representative from each of the Trilateral regions -- North America, Western Europe, and Japan -- an arrangement that the Commission asserts makes it "possible to achieve a broad consensus among members on subjects such as those dealt with in these reports." In this way, the leaders of the Trilateral Commission effectively conscript all its members into an implied support for the reports as "constructive policies that offer long-term solutions to world problems."

The Task Force Reports focus on perceived problems in the following areas: the international monetary system, political developments, developing countries, trade, energy, and East-West relations. These problems all require, according to the Commission, a coordinated effort by which the "Trilateral process" can "manage international economic interdependencies" that have been created since World War II. In the accompanying summary "Selected Triangle Papers," some of the major recommendations made in the *Triangle Papers* are outlined.

The apologia for these Trilateral recommendations seems to be rooted not in Adam Weishaupt or Marxist-Leninist ideologies but in Walt W. Rostow's *The Stages of Economic Growth: A Non-Communist Manifesto*. Ever since the publication in 1961 of this "manifesto," would-be global managers have clung to the notion that carefully orchestrated economic development would promote both world peace and prosperity. Central to this view was Rostow's assertion that when any society reaches the "age of high-mass consumption" the "aggressive habits of the immature society are discarded." Accordingly, Soviet-style Communism, said Rostow, was but "a disease of the transition" to the final stage of economic growth, and its demise would be hastened by any economic intercourse that might accelerate internal development in the Soviet Union. Likewise, he argued, the threat of Communism in underdeveloped countries could best be thwarted by encouraging rapid economic growth in those countries.

The international economic policy implications from this analysis were two-fold: (1) economic trade -- including the transfer of technology -- with the Soviet Union and other Communist nations ought to be expanded; and (2) massive and sustained "external aid would be required to lift all of Asia, the Middle East, Africa, and Latin America into regular growth." The Trilateralists Henry Kissinger and Zbigniew Brzezinski, heirs to Rostow's throne as mentor of aspiring global managers, persistently advocated both such policies.

Trilateral Proposals Ignore History

Plainly, however, this view of the relationship between economics and a society's propensity (or lack thereof) to pursue a course of peaceful intercourse with other nations is totally at odds with observed events. While it is accurate to assert, for example, that Communist Third World nations are "poof" nations in relation to advanced Western countries, it does not follow that prosperity will reduce their professed ambition to export their rule to their more prosperous neighbors. Even the most extravagant overconsumption failed to brake Roman ambitions, no degree of early

"success" restrained Hitler's Germany from pursuing world hegemony; and the high standard of living in pre-Castro Cuba (the second highest in Latin America) failed to keep it from becoming the first country in the Western hemisphere to succumb to a Communist takeover.

Even brief reflection on the post-WWII behavior of the Western powers (and recent events in Central and Eastern Europe) suggests that the Rostovian view may be too narrow. In the Western industrialized nations, it has become commonplace for socialist initiatives to gain ground during periods of relative prosperity. The burgeoning of the welfare mechanism in the United States precisely during a period of rapid growth in the 4 decades following World War II is a case in point.

Government planners whose policies actually may have thwarted economic growth often have taken credit for prosperity due to policies they opposed, *i.e.*, tax reform. (The "Massachusetts miracle," for which Michael Dukakis claimed credit and which led to his 1988 presidential candidacy, is an extreme case in point. As of this writing, that state's economy is reeling under the effects of decades of social legislation that has crippled businesses, led to the disintegration of the state's infrastructure, and promises to overwhelm individual taxpayers.)

In our view, rather than promoting democratic capitalism, internationalist "cooperation," economic or otherwise, that enhances the stature of established socialist governments (no matter what they call themselves nowadays) is just as likely to entrench in power those most wedded to the old policies. In short, what is to prevent the "old guard" from taking credit for related "improvements" in domestic conditions, just as our own politicians claim credit for economic successes that the American people are able to achieve in spite of their interference?

Rather, events in the Soviet Union and the Eastern-bloc countries would seem to suggest that the economic failure of socialist economies there has been directly linked to popular demands for democratic -- and to some extent capitalistic -- reforms. Why, then, pursue a foreign policy that is calculated to perpetuate those in power?

The International "Debt Crisis"

Trilateral plans to promote economic development in the Third World likewise ignore the relevant lessons of history. For example, central planners have doggedly pursued financial policies that have historically been shown to be unsound. Bypassing the market mechanism for allocating credit is a case in point. Since its inception, the Trilateral Commission has urged that increasing amounts of credit be channeled to less-developed countries via government to government grants, government guarantees of private credit, and credit from international lending agencies such as the IMF and the World Bank. Trilateral papers have consistently proposed the adoption of larger and larger credit "quotas" for member nations in the IMF and greater and greater commitments to the General Agreement to Borrow. Today, IMF Special Drawing Rights (SDRs), which were initially gold units, are simply an index of currencies -- and SDR allocations have been extended above those initially proposed.

Consequently, many borrower-nations received sums of funds vastly greater than private investors or creditors alone were willing to commit, and the "international debt crisis" indicates these sums are vastly greater than the debtor countries have been able to repay. To date, outright defaults by debtor nations have been avoided by emergency credit from various government, central bank, and international lending organizations and by reschedulings, which are rewriting of debt terms. But as we see the situation, there is little chance that most of the debt ever will be paid in real-resource terms; therefore, almost surely some resources will have passed uncompensated from the "North" to the "South," as Trilateral reports have recommended. It will not be the bankers' wealth, however, that will be transferred if government intervenes. Rather, it will be the unsuspecting public's wealth transferred through tax-supported agency loans to replace the bankers' credits or through reducing the real value of past dollar-denominated debts via more inflating.^[1] This illustrates how unsound economic policies promoted by the economic managers generate new "problems" that elitists always see as requiring more management. Typical of bureaucracy, failure breeds more power, not less.

Trilateral Commission reports cite the debt crisis as evidence of the need for more intervention by international agencies in the economic affairs of sovereign nations. One *Triangle Paper*, for example, argues that the GATT ought to be provided with "new international rules to cover sectors which are currently outside or virtually outside the GATT framework." These would embrace services, investments, and intra-firm trading. Unilateral and bilateral agreements now outside GATT would be brought "under international rules and discipline." Moreover; the GATI' would assume the power to grant subsidies when needed. ("The applicant for relief should be required to provide GATT with the details of his adjustment or rehabilitation policy for the domestic industry in question.") GATI' would assume permanent control of all domestic agricultural subsidies. Accordingly, "clandestine unilateral or bilateral arrangements for protection should be dismantled and subjected to improved safeguard conditions." Boiled down, this Trilateral Commission proposal asserts that because the interests of different countries industrialized as well as "developing" -- have diverged from those set out in previous Trilateral plans for cooperation, sovereign governments must be stripped of the powers to rule their own affairs and forced into cooperation" by supranational government -- "for their own good," of course.

We share the view that government impediments to the international flow of goods, services, and funds -- that is, trade and capital restrictions -- are economically harmful. Thus, the GATT objective of reducing tariffs and other obstacles to international transactions merits support. But the method recommended by the Trilateralists is dishonest and flawed. Sovereign power need not and should not be relinquished to some supposedly objective supranational bureaucracy. If there are sound reasons for the elimination or reduction of trade and capital barriers, negotiators for sovereign governments should be just as capable of recognizing that their self-interests are served thereby as would supranational bureaucrats. Educating sovereign negotiators to these benefits may take some time, yet the longer process may better ensure that various interests are indeed served. We do not subscribe to the notion that an "objective" third party could better serve U.S. interests than could U.S. negotiators; the United States is simply not the same as other countries.

Recent Trilateralist Directions

Recent Trilateralist publications have been somewhat subdued. During the latter years of their publication, the *Triangle Papers*, which ceased in 1985, rejected "detente" with the Soviet Union, paid some lip service to the desirability of free-market economies, and acknowledged that the hopes expressed earlier for "multinational cooperation" tended to be exaggerated and naive. Nevertheless, the Trilateralists persist in promoting a "New World Order" to be run by some sort of supranational authority. A representative statement from *Triangle Paper 28* "Democracy Must Work: A Trilateral Agenda for the Decade" (1984) suggests the extent to which the Trilateralists' professed commitments to democracy and national defense are overcome by their urge for world power: "We see the essential freedom of democracy to be broadly incompatible with a state controlled economy and we are not afraid to openly reject communism [the implication being that some Trilateralists are afraid to do so! -- Ed.] and to attempt to devise a global system where the communist philosophy withers and has no new converts." A careful reading of recent Trilateralist literature suggests that the contemplated "global system" would be nothing short of global totalitarianism.

Of course, a number of the potential disasters predicted by the Trilateralists during the 1970's and early 1980's -- such as the "energy crises" and "meteorological crises" -- have passed from public view and are no longer readily exploitable for Trilateralist purposes. Other Trilateralist plans for international "cooperation" simply found no takers. But virtually any trumped-up "crisis" or dissatisfaction with existing arrangements can be made to serve as grist for the Trilateralist mill.

For example in the mid-1980's, widespread dissatisfaction with the floating exchange rate system was the occasion for a spate of Trilateralist proposals to create a new "international monetary authority." In this respect, a new Trilateralist-oriented organization, the Institute for International Economics, has been the principal "research" agency. Headed by Trilateralist C. Fred Bergsten, who was Under Secretary of the Treasury under President Jimmy Carter, that Institute was founded in 1981 "through a generous commitment of funds from the German Marshall Fund of the United States." Already it has published many studies professing the need for more international "management" of world monetary arrangements. President Reagan included in his 1986 State of the Union message a reference to the need for -- and commissioned a study to inquire into the possibility of establishing -- a new international monetary system to be "managed" by a then vaguely described agency. (The "Group of Five" [now the "Group of Seven"], which erroneously has been credited with promoting international monetary stability, was the subsequent brainchild of this attempt at international monetary management.)

The Market Alternative to Elitist "Management"

The fatal flaw in Trilateral thinking is the belief that "competition" and "cooperation" are antithetical and that therefore so-called global problems require a comprehensive blueprint

formulated by a few "enlightened" individuals from the Trilateral regions. Voluntary cooperation is fostered by competition in the marketplace. It does not require governmental "direction"; it requires merely a set of rules that prohibits such acts as fraud and theft. The marketplace adjusts the actions of consumers and producers so that economic activity is geared to satisfy market participants to the greatest extent without infringing upon anyone's rights.

Some people may object that market decisions are "inequitable" and that it would take lesser-developed countries longer to develop -- and so prolong human misery -- if "aid" were not available. This notion that progress attends equitable results rather than equitable treatment under the law seems to have an eternal popular appeal in spite of abundant evidence to the contrary. Centrally planned programs are notorious for producing surpluses in production in some areas and shortages in others, but they also wrongly suggest to the people that politicians and bureaucrats (national or international) can ensure that their economic needs are taken care of. The history of such welfare programs on both the domestic and inter-national levels (as in the case of multibillion dollar governmental aid programs to the development of the Third World) demonstrates that recipients do not advance economically from them but rather become increasingly dependent on them and beholden to the "donors."

Consider the wide difference between the promises made by the central planners and the realized performance of their development programs to date. How much better off politically and economically is the vast majority of the population in the undeveloped countries as a result of aid programs?

Plainly, aid directed through the governments in many of these countries has enhanced the ability of those already politically powerful to further their aims. But whether these aims coincide with the preferences of consumers and producers or with the interests of the majority of people is another matter. Development "aid" has been used in some places to promote programs that local political leaders genuinely believed to be in the best economic interests of the populace. However, these well-intentioned programs often created many new problems that their sponsors did not anticipate. For example, development programs of the 1960's involving subsidies to promote industrialization are widely criticized by today's "development" economists for misdirecting developing-country resource allocations away from agricultural pursuits and thereby causing widespread hunger and starvation. In other places, international economic aid has been used to enhance the power of existing tyrannical governments by "rewarding" the faithful and expanding the government bureaucracy with virtually no economic benefit to the general public.

But in virtually no country can it be shown that such aid contributed efficiently to the sustained improvement in the lives of the general population. Rather, many "beneficiaries" of international aid appear to be verging on the brink of massive social, economic, and political disruption. In such a climate, the outlook for the future lives of many inhabitants of the Third World is grim indeed.

It need not have been so -- as the historical record attests. During the 18th and 19th centuries, less developed countries -- the United States was a prime one -- entered the developed stage rapidly by providing a legal and political structure attractive to private foreign capital. There

were no aid projects or international aid agencies then, yet the world advanced rapidly in economic terms and in terms of individual sovereignty. To be sure, there were abuses of power and special privilege, but the alternatives available to the great majority of the people -- economically and politically -- were far more at the end of the century than at the beginning. Progress was made, and it was substantial.

No convincing evidence has been presented suggesting that the successful approach of the last century would not be applicable this century. Accordingly, there is reason to think that if the legal and political structure in the developing countries were inviting to private capital, then there would have been "voluntary" private investment in the developing countries -- allocating decentrally, outside the incumbent political power structure, and consistent with evolutionary potential for usefully "absorbing" capital.

When investment mistakes occur in the private sector -- as of course they do -- the "damage is minimized. (Many would likely be surprised at the list of "failures" that accompanied rapid economic growth in the United States in the 18th and 19th centuries -- failures that nevertheless did not thwart continued economic progress.) Unlike contemporary government's penchant for big, all-or-nothing projects (and almost pathological political fear that they might fail), private investment historically has been more prudently inclined to limit the scope of "experimental" projects. And unlike government-directed funding that seems to know no limits, private investment tends to abandon failed projects much Sooner. Consequently, any dislocations resulting from unsuccessful private ventures are less harsh than is the case with government projects, and the drain on resources less severe.

In short, private investment promotes economic flexibility; central planning promotes inflexibility. In this regard, the relationship between national and international economic activity is indeed "inter-dependent." For central planning on a national scale (which expropriates potential private investment capital) begets central planning on an international scale (given that political leaders have concluded that international "development" is desirable and since less private investment capital is available.) Conversely, as "management" of the international debt crisis indicates, global planning in turn fosters even more central planning within sovereign nations -- as well as outright abrogation of sovereignty. What happens in the "Third World" is indeed relevant to what will happen in the United States and other developed countries -- but not for the reasons cited by the Trilateralists (e.g., that global catastrophe will ensue if undeveloped nations are not quickly given their "fair share"). Rather, it is "global management" itself that is the greatest threat to both national and international prosperity.

NOTES

1. See "Lessons of the Debt 'Crisis,'" *Research Reports*, April 2, 1984.

VIII. The New World Order II: Beyond Conspiracy

Following the disintegration of the Soviet Union, President Bush frequently referred to his pursuit of a "New World Order" in which harmony rather than strife was to govern relations between nations and peoples. The immediate occasion for the celebration of this "New World Order" was the presumed victory of democratic capitalism over communism in the Eastern-bloc nations. While it seems plain that the vision of a "New World Order" -- subsequently endorsed by President Clinton -- assumes that the Western nations henceforth will play the dominant role in international affairs, it also seems plausible from the earlier references in Trilateralist and other circles to a "New International Economic Order," or "New World Order," that more may be involved than the recent change of fortunes among the world superpowers.

The intellectual texture of this "New World Order" seems intentionally vague. But if it is based on the type of thinking that recently has characterized that of either the academics who inhabit various "think tanks" in pursuit of solutions to world "problems" or the State Department policy planning staff itself, then in our view it is unlikely to produce the desired results, whatever they may be.

It would be impossible to analyze critically a notion that has not been adequately explicated in the first place. In this respect, the specific requirements of any "New World Order" remain unknown to the general public -- and perhaps to its presumed leaders as well. However, it may be possible to gain some understanding of what may be involved by reference not only to the tracts of such organizations as the Council on Foreign Relations or the Trilateral Commission, but also to the general milieu of "globalist" thought over the past 2 decades or so that has shaped both popular attitudes and political policies.

During the past several years, we have commented on a variety of ideas and events that would seem to relate in one way or another to the formation of the type of views that are reflected in talk of a "New World Order." They have included many academic fields -- for example, development economics, political science, history, foreign policy studies, anthropology, and environmental science - and have covered a broad range of topics -- from "Earth Day" celebrations to the application of Hegelian idealism as a means of predicting the course of world events.

In the chapters that follow, we have assembled a number of the most pertinent commentaries. Each was originally drafted as a discrete essay, and we have elected to reprint them here with minimal editorial changes, even though they overlap somewhat and even though portions of them since may have been overtaken by the pace of events.

Although they cover a broad range of topics, the essays have a common critical thread: that very often both the identification of problems and approaches to their solutions have been fatally flawed. In some instances, such as those involving current environmental questions, special interests that have little regard for scientific procedures appear to have gained control of the "propaganda" apparatus. In others, those charged with making policy appear to have relied more on fantasy than empirical observation in the development of approaches to foreign affairs, international economics, and the like.

The difficulties that are posed by such flawed prescriptions for human progress extend far beyond narrow notions of conspiracy. In a broad sense, they embrace many of the same obstacles to the pursuit of knowledge that have confronted humans since the dawn of history, and that have been a principal concern of AIER's research effort throughout the years. In this respect, the task of defeating some "conspiracy," if such were a threat, would seem incalculably easier than promoting an understanding of human affairs that is grounded in useful procedures of inquiry that promise to yield solutions to genuine human problems.

IX. The Persistent Lure of the Fantastic

Men and women of many cultures across the span of recorded history have dreamed of a better world. By developing some fantasy realm where the imperfections of their ordinary lives did not exist, people often have tried to overcome their uncertainties, difficulties, hazards, and frustrations. In instances where mundane conditions tended to approach the psychologically intolerable, the imagined world sometimes was said to be even more "real" than the actual world in which people lived.

Members of some early hunting societies believed that a "happy hunting ground" existed where there were no scarcities of game, where the hunter's aim was always true, and where people never went hungry or starved. Desert-dwelling nomads conjured a world of deep streams, waterfalls, lush vegetation, abundant shade, and cool breezes. Enslaved peoples of many races and many times took solace from a belief that they eventually would be delivered from bondage into a "Beulahland" that flowed with milk and honey and promised not constant drudgery but a continuous "jubilee."

To those who experienced them, the difficulties that spawned these fantasies were the result of unalterable (or very difficult to alter) factors: geographical, climatic, biological, or other physical uncontrollables associated with floods, droughts, famines, pestilence and the like; or rigid social, economic, or political structures such as hereditary aristocracy, serfdom, or slavery.

But in the course of relatively recent time, many of these "unchangeable" factors either have disappeared or become alterable. As static hierarchies have broken down and as technologies have extended to permit human manipulation of the physical environment, it has followed that the "better world" associated with the supernatural or the metaphysical in earlier years has been viewed as something that might be tangibly realized in the here-and-now. Indeed, today many people seem to regard the attainment of a better life for everyone a reasonable expectation. They interpret what in the past would have been regarded as part of the normal situation of life as a "failure" of those in power to achieve reachable goals.

This yearning for the better society has been translated in the contemporary world into ostensibly nonsupernatural and nonmetaphysical forms. Today, it is described popularly by names such as "policy science" or "policy planning" and has adopted much of the language associated with

scientific inquiry. And yet, the lure of the fantastic, which today is manifest in a reliance on a presumed -- or hoped-for -- discovery of something that remains constant in human behavior despite wide variations in time and in socio-economic structure, appears often to be a basic ingredient in thinking that now serves as the basis for central policy planning on regional, national, and international levels.

In plain terms, central planners today often are engaged in wishful thinking -- no matter how erudite, emotionally appealing, or elegantly packaged it may be. When stripped of their complexity, the arguments of present-day world planners bear resemblance to those of their Stone-Age counterparts, since they often seem to depend on metaphysical assumptions that are contrary to observed experience and to procedures of inquiry from which warranted conclusions about human behavior might be derived. What is more, insofar as coercion has played a key role throughout history in sustaining all manner of visions of the better society (woe to the hunter who denied the existence of the happy hunting ground or the rituals prescribed by its shamans), the metaphysical aspects of central planning may be just as -- or more -- powerful an influence on human affairs as were any of the varieties of past metaphysical systems.[1]

"Better Worlds" Never Arrive

Long-time readers of AIER publications will know that we have often stated our opposition to central planning in its many forms. In the past, we have cited its numerous failures -- as well as the bundle of new problems it has created -- as evidence of the futility of such planning. Indeed, the consequences of the planners' attempts to create a better world are in themselves testimony to the folly of such endeavors. Virtually without exception, policies of the past quarter century aimed at directing national or international developments toward some nebulous "new order" have made things worse than before.

Nevertheless, these failures so far have not been taken as evidence by the planners that central planning does not work. Rather, they assert that new and bigger plans are needed. Often they cite their lack of authority or backing as reason for a plan's failure: regulation of activity was not sufficiently encompassing to achieve the desired result; there were not enough agencies to "enforce the provisions" of the plan; the plan lacked "adequate funding," and so on. Thus, problems generated by a policy of domestic *ad hoc* subsidies spawn plans for an all-encompassing "industrial policy"; problems caused by a plan designed to provide health care to one segment of the population generate demands to establish a health care policy for all segments of the population; failures of grandiose plans for "world development" result in the promotion of international agencies on a larger and more-costly scale -- and so on. In short, the planners prosper despite their failures.

Perhaps because the lure of the "better world" remains so strong, merely to cite the observed consequences of central planning seems not enough to convince the "faithful" of its harmfulness. In this respect, an inquiry into the structure of thinking characteristic of central planning -- and which seems to have been persuasive to many people as well as providing the politicians with

allegedly "scientific" backing for their programs -- may be a more useful approach.

A "Human World Order"

It would be impossible in a bulletin of this length to survey, let alone analyze fully, all of the pertinent literature. However, even a general discussion of two representative, though markedly different, examples may serve to illustrate the degree to which metaphysical assumptions continue to enter into the thinking of popular writers and scholars who advocate "world planning."

Let us consider first a representative "popular" work, *Toward a Human World Order; Beyond the National Security Straightjacket*, by Gerald and Patricia Mische, which was first published in 1977. This book is of particular interest because it aimed at becoming a "handbook" for the "one-world" movement of the 1970's and featured as a central strategy the development of a vast network of international agencies dedicated to promoting a "systems change through gradual evolution of transnational structures" -- presumably into some form of world government. The book received praise from luminaries of world planning such as Dr. Rene Dubos, Institute for World Order President Saul Mendlovitz, Congress of World Unity Executive Director J. Guy Merveille, and Margaret Mead.

As with many other works that have tried to establish a plan for a better world, *Toward a Human World Order* enlists a "model" developed within one of the behavioral sciences in order to construct a "human development paradigm." This paradigm in turn serves as the basis for making decisions as to the appropriate actions to be taken toward achieving the hoped-for better world.

In this case, the model is drawn from the field of psychology -- to be specific, from the thinking of Abraham H. Maslow, who posited "that there was a growth process through which all healthy persons passed in a series of stages corresponding to human needs and potential." According to his model, human needs are of two kinds: (1) basic needs such as food, water, air, shelter, safety -- as well as "belonging, love, and esteem" and (2) meta needs that include "knowledge, understanding, beauty, truth, goodness, wholeness, justice, peace, universal love, harmony, order, etc." The "self-actualization" of individuals, which is taken to be the highest order of personal development, consists "in the development of their uniqueness as persons" through the satisfaction of both basic and meta needs. These "self-actualized" persons are said then "by the very same process of deeper inwardness to share deeper unity and harmony with all other persons and the whole of life." No adequate descriptions are given for what "knowledge," "understanding," "beauty," "truth," "goodness," "wholeness," "justice," "peace," "universal love," "harmony," or such phrases as "uniqueness as persons," "process of deeper inwardness," "deeper unity," or the "whole of life" name.

Undeterred by the obstacles such semantic deficiencies pose for any consensus regarding what constitutes personal fulfillment, the architects of a "human world order" assert on the basis of the Maslow paradigm that: (1) the "discovery and nurturing of a self-actualizing person's own inner

core is the discovery and nurturing of what is central and common to all humanity," (2) the "natural human genetic propensity for bonding and unification, and inherent human needs and potentialities ... are a given organic center around which shared global consciousness and world unities can be consciously and creatively nurtured for purposes of human survival and human fulfillment," (3) because "the successful negotiation of the stages of human development are greatly affected by social institutions, we need a healthy social framework within which to become -- individually and as a species -- all that we can be," and (4) "it is precisely the lack of such social structures on a global level that, in an interdependent world, straightjackets and presents the greatest obstacle to human development." In brief, from a metaphysical psychological theory has come -- in short strides of illogic and giant leaps of faith -- an intellectual justification for world government.

Self-Action and the Quest for Certainty

The line of thinking contained in *Toward a Human World Order* is almost a caricature of what John Dewey called "the quest for certainty." As Dewey observed, this quest ignores the disproportions and uncertainties of the actual world in preference for some technical construction that postulates the existence of absolutes. These in turn are employed in pursuit of the desired better world. The posited "human world order" closely follows this pattern. For example, missing from the list of allegedly "fulfilling" human needs (either basic or meta) is any mention of say, "power" -- to cite a "need" that seems to have loomed large throughout human history. Moreover, ignoring the task of describing adequately what, if anything, "knowledge," "understanding," "truth," "goodness," "justice," and "harmony" name will not facilitate agreement on related controversies. The plain fact is that such names, as they relate to human behavior, would be applied differently by, say, Konstantin Chernenko, Pope John Paul II, Ayatollah Khomeini, Yasser Arafat, Yitzhak Shamir, and Ferdinand Marcos -- let alone Jesse Jackson, Ronald Reagan, Geraldine Ferraro, and Jerry Faiwell.

This work is an extreme example of a genre of globalist-oriented literature that posits the attainment of "world order" through some self-actional mechanism (in this case named "self-actualization") that it is presumed will find expression through "transnational structures." In fact, this view insulates actors from their environment by dividing "self" into separate physical and "spiritual" entities (the self's "inner core" is what counts). It also denies or evades entirely the question of what constitutes "environment" so far as actual attitudes and behavior toward "self-fulfillment" or transaction with physical surroundings or other human beings are concerned. Indeed, this vision of a "human world order" would demand of all people everywhere behavior according to "human-religious values" - on the erroneous assumption that all suci' values effect essentially similar behavior patterns. It also would require "de-emphasis both individually and nationally of such values as 'individualism,' 'doing your own thing,' and 'competition.'" Placed in historical perspective, this fantasy "transcends" even those of the hunter-warriors of past ages, whose imagined better worlds often acknowledged conflict with the environment. (Their better world usually was simply one where they always came out on top of the struggles that existed.)

The authors of the "human world order" acknowledge -- and this is where their fantasy abruptly

assumes an ominous tangible cast -- that the values it holds paramount will remain unfulfilled "so long as we fail to develop just and effective world order structures." No clear account is given as to what "just" or "effective" name. However, the authors assert that if such values and structures were "widely implemented as criteria for public policy, they would subvert the ability of individual nations to survive."

A Compound Fantasy

Our second example is a recent scholarly treatise that is far more intellectually sophisticated and has received considerable notice in academic and policy-planning circles.[2] Written by Professor Ernst B. Haas of the Department of Political Science at the University of California at Berkeley, this study (unlike the previous work) examines in some depth a range of divergent views and interests operating in the arena of world planning. Indeed, in view of the disruptions and failures of international planning in the recent past, it is not surprising that a number of academicians -- as well as self-appointed "global managers" -- have been induced to acknowledge that, despite their earlier celebration of bonds allegedly "common to all mankind," great differences among peoples and nations do exist.

For example, spokesmen for organizations such as the Council on Foreign Relations and the "Trilateral Commission" recently have tended to abandon their rigid ideological bent toward an *a priori* belief in the inevitability of global conformity of thought and behavior or the creation of a single utopia -- even as they continue to seek greater influence for international agencies of power. Inasmuch as Professor Haas's essay inquires into the possibility of fashioning a "synthetic" intellectual framework for interpreting what are now being called "international regimes," his scholarship is in concert with this recent direction in thought about world planning.

According to the description given in Haas's essay, "international regime" is now being used by political scientists to name any set of rules of behavior -- whether put in place, enforced, or simply proposed. That is, a "regime" may be only an idea, even a fantastic one. Nevertheless, Haas strongly implies that the study of regimes described this way may permit political scientists and policy planners to "predict regime change and prescribe the desired content of a future regime" -- that is, to make up new plans.

For heuristic purposes, Professor Haas employs the Law of the Sea Treaty to "test" his procedure. He describes in considerable detail the elements of thinking (some reminiscent of those found in our previous example) involved in six "mind-sets" that he says can be identified with the Law of the Sea issue: "eco-evolutionism," "eco-reformism," "egalitarianism," "liberalism," "mercantilism," and "mainstream."

It would be pointless to review each position in detail. For the purposes of this discussion it is enough to outline what he says are the principal differences separating them. In brief, his "mind-sets" embrace either one of two basic "metaphors": (1) an "organic metaphor" whose devotees "show great concern for the future of mankind, but ... make short shrift of the political arrangements necessary for assuring this future," or (2) a "mechanical metaphor" whose

followers "are sophisticated about politics and economics but... fail to show much interest in the substantive problematique to which politics and economics might be applied."

Out of these two metaphorical constructs Haas attempts to fashion an "evolutionary synthesis." If properly understood, however, this "synthesis" is but a compound fantasy. Instead of requiring that all human beings subscribe to the same fantasy as a prerequisite to the "better world" -- as was implied in the rationale for a "human world order" -- Haas ostensibly gives legitimacy to virtually any fantasy that might be thought of. He cheerfully asserts, for example: "I have no single value to maximize and no specific order to promote.... An evolutionary perspective leads to a range of conceivable future orders, not to a single utopia." In short, he seems to be willing to entertain almost any caprice, however distant from the actual world it may be.

But this is not exactly the case. For when he describes the conditions under which the proposed "synthesis" of his "mind-sets" might occur, it becomes clear that his construct would demand acceptance of the same self-actional views that characterize other visions of the better world. As he states, his "evolutionary synthesis" could proceed only if the actors "alter their perceptions in line with new knowledge, including the kind of knowledge found in the organic mind-sets." In short, his "synthesis" is no synthesis at all. His "evolution" presumes that everyone must adopt a like fantasy after all - and he admits that "such melding of views remains unlikely."

Flawed Procedures of Inquiry

Despite its obfuscatory language, Haas's essay reflects thinking that is less dogmatic than that in much of the literature of world planning. Insofar as it acknowledges the actual obstacles to enabling any single "regime," it may be a sign that some social "scientists" in positions of influence are beginning to perceive the futility of central planning. This is all to the good.

Still, the procedures of inquiry it employs remain flawed. Most obvious, Haas uncritically treats opposing "mind-sets" as distinct, static, and equal entities -- things-in-themselves -- that are self-actional and interactional. That is, he tends to give the same weight to the most harebrained scheme as to the most reasonable belief, and he tends to assume that they interact" with each other as independent actors. His "evolutionary perspective" and "organic" bias (acknowledged explicitly in the essay) reflect continued reliance on the self-actional assumptions that characterize what Dewey called "the quest for certainty."

Professor Haas's summary of the elements of thought involved in the "organic metaphor" suggests a number of the metaphysical assumptions upon which the metaphor depends:

The hope held out by adepts of the organic metaphor is based on their conviction that the processes embedded in their system are essentially harmonious. The system is open, moving, dynamic. It incorporates growth and development. The tendency toward entropy can be overcome, and the concept of homeorhesis incorporates this idea. In the short run, to be sure, negative feedback processes foster temporary equilibria. But the fact that the system is programmed for movement implies that in the longer run various states of disequilibrium are to

be expected. Because the system is open and dynamic, the exact number and value of the input variables cannot be known and the next equilibrium state of the system remains indeterminate. What should mankind do in such a setting? Disequilibrium, at any given point, means that we have not understood the structure of the system; we permitted the wrong processes to take over. But homeorhetic principles stipulate openness to learn: we are biologically equipped to evolve into better problem-solvers. Adaptation means learning to do better in a dynamic system, which is itself programmed -- and we with it -- to organize itself toward its own perfection.

In the first place, the above discussion relies heavily on the notion of "system." Inasmuch as Haas also writes that "The world is conceptualized as a huge system of biological and physical interdependencies among life forms," the organic metaphor would seem to embrace a use of the name system that fails within the rubric of general systems theory. Although he does not elaborate further as to the character of the "interdependencies" involved, his use of system is open to the same criticism that has often been made of other general systems work. Namely, system tends to be used too inclusively to be scientifically useful.

Theories that rely on the premise of some "huge system" tend also to rely on naive, metaphysical, and sometimes ridiculous analogies. Consider, as an extreme example, one system theorist's discovery of analogies between the behavior of slime mold and the way humans behave under the stress of enemy attack. Haas's discussion includes a reference to "the analogy between Zen and nuclear physics" in relation to his inquiry into the "ultimate inspiration for the eco-environmental approach," which is embraced by the organic metaphor.

In addition to the procedural deficiencies associated with general systems theories, Haas's description of the organic metaphor shows that it relies also on unsupported assertions and self-contradictory propositions. For example, it is based on a "conviction" that its processes are essentially harmonious. In other words, proponents of the organic metaphor simply believe that its processes (which are not described) are essentially harmonious (also not described) -- no matter what the actuality may be. Moreover, the "concept of homeorhesis," which Haas elsewhere says "refers to the continuation of a process that changes a system despite temporary setbacks and interruptions" suggests both contradiction and bias. Temporary setbacks and interruptions are changes. Thus, he might have stated that homeorhesis refers to a "continuation of a process that changes despite changes." Clearly, his use of the preposition "despite" indicates bias toward some particular change.

The self-actional aspect of this line of thinking is perhaps most clearly contained in the assumption that the system supposed by the organic metaphor "is itself programmed ... to organize itself toward its own perfection."

In spite of this cheerful scenario, eco-environmental, eco-reformist, and egalitarian adherents of the organic view seem inclined not to leave the system alone to propel itself toward perfection. Rather, as Haas observes, they tend to believe that humans have "permitted the wrong processes to take over." Thus, "They offer diagnoses of the crisis of mankind and suggestions of the appropriate therapy." It would seem that either Haas has inaccurately described the assumptions upon which the organic metaphor depends -- or else its adherents are bent on correcting the

course of that which is supposed already to be on a course toward some unknown perfect state.

Losing the Faith?

The contradictions inherent in this muddled fantasy do seem to trouble Haas. At a number of junctures, he acknowledges difficulties associated with metaphysical systems. Indeed, he states that he is "comfortable with cognitive evolutionism [the variant of the organic view to which he subscribes] because it makes fewer claims about basic directions, purposes, laws, and trends than do other lines of thought."

As yet, however, he simply has not been able to resist entirely the lure of the absolute. As he describes his approach, it is "agnostic about the finality of social laws and about the links between scientific discovery and social behavior." This skepticism is healthy. But until social scientists such as Professor Haas are willing to abandon completely modes of inquiry that depend upon some absolutes (ontological or epistemological) on which to base a better socioeconomic order, their results will continue to be just as "fantastic" as were those of believers in the better worlds of earlier ages.

NOTES

1. Readers who desire a comprehensive discussion of the procedures of inquiry that have been used in attempts to solve problems humans encounter are invited to purchase the Behavioral Research Council Division publication *Useful Procedures of Inquiry*, by Rollo Handy and E. C. Harwood (hardbound, 232 pages). In this volume, an analysis is made of widely used, but outmoded, procedures of inquiry. More useful procedures, stemming from the revolution in inquiry associated with Galileo, and further developed by John Dewey and Arthur F. Bentley, are described in detail.

In addition to the discussion of modern scientific inquiry and a critical analysis of several recent inquiries, the volume contains the full text of Dewey and Bentley's book, *Knowing and the Known*, and of Joseph Ratner's essay, "Introduction to John Dewey's Philosophy," publications that no longer are available from other sources. A companion volume, *A Current Appraisal of the Behavioral Sciences*, by Handy and Harwood, also is of interest to the present discussion and is available for purchase. Either or both volumes may be obtained for \$15 per copy from MER, Great Barrington, MA 01230.

2. "Words can hurt you; or, who said what to whom about regimes," by Ernst B. Haas, in *International Regimes*, ed. Stephen D. Krasner (Ithaca: Cornell University Press, 1983), pp.23-59. This essay was first presented as a paper to the American Political Science Association meeting in Washington, D.C., August 30, 1980. It was subsequently published in the scholarly journal *International Organization* (Spring 1982) and then reprinted in the volume first cited. Funding for *International Regimes* came from the Ford Foundation and the Center for International and Strategic Affairs.

X. How to Make Enemies in "Backward" Nations

This article is a review of anthropologist Grace E. Goodell's *The Elementary Structures of Political Life: Rural Development in Pahlevi Iran*, New York and Oxford, Oxford University Press, 1986, 362 pages, \$45, hardbound.

For the past quarter century, much of the rest of the world has indulged in an anti-American binge. In many reaches of the globe today, it is fashionable, if not obligatory, to castigate America and Americans. To those who can recall the years following World War II, when America was openly revered as a patron of democracy and economic savior of friend and foe alike, the insults hurled so casually our way today must seem especially undeserved. Often they have come from the very countries that received lavish amounts of U.S. aid.

Seldom has anti-American sentiment reached the fever pitch that it evidently has in Islamic revolutionary Iran under the Ayatollah Khomeini. To date, Iran's overt and covert anti-American activities (from ritualistic mass demonstrations, to hostage-taking, to bombings, to the mining of the Persian Gulf) have crippled two American presidencies, produced rifts in the Western alliance, and threaten to entangle American foreign policy in the Mideast even further -- if not draw us into a shooting war. It would be pointless to recount here all of Iran's bloody attempts during the past 9 years to vanquish "Great Satan" America. It also would be impossible to predict the outcome of the current U.S. naval convoy assignment in "Silkworm Alley."

Nevertheless, as Grace E. Goodell's recently published book *The Elementary Structures of Political Life: Rural Development in Pahlevi Iran* illustrates, there is a useful lesson (one that we have stated on many other occasions) to be drawn from our experience with Iran over the past 30 years: namely, that U.S.-sponsored centrally planned economic development projects that are channeled through existing political bureaucracies in developing nations invariably produce economic disaster rather than economic progress -- and generate animosity rather than goodwill.

Professor Goodell's book is a comparative study, based on a 4-year sojourn in Iran, of the experiences of rural peasants in the period immediately preceding that country's dramatic estrangement from the United States. She spent 2 years in a village (Rahmat Abad) during the land reform that preceded centrally planned development and 2 additional years in a "model city" (Bizhan) observing the behavior of the forced subjects of Shah Reja Pahlevi's subsequent U.S. and World Bank-sponsored development policies. Although its geographical locus is narrow, it in effect empirically tests a wide range of theories that often have been accepted uncritically by "development economists."

Goodell's study focuses on the Dez Irrigation Project (DIP) in Iran's Northern Khuzestan region during the mid-1970's, and it describes in great detail the ways that visionary "modernization" schemes irreparably disrupted usual market processes that, prior to the imposition of centrally planned development, were rapidly propelling economic growth within the Iranian peasant community.

In brief, the Dez Project adopted the World Bank's Development Model, which was inspired by the TVA and still is in use today. According to this model, huge irrigation projects, large agribusinesses, and State farms offer numerous advantages over "backward" peasant farming operations: land consolidation under single management units produces economies of scale;

foreign investors are able to introduce modern agricultural technology; food urgently needed in the growing urban areas can be most efficiently produced and released to the cities by large commercial farms; and these businesses in turn gain valuable foreign exchange by their export crops, while providing nonagricultural employment through their "spinoff" industries -- such as petrochemicals and farm machinery, processing facilities for sugar, paper, cotton, etc.

The Dez Project's administrative priorities thus called for farm corporations to displace small farmers and model towns to displace the mud villages that dotted the Khuzestan landscape. As Goodell observes, the World Bank can lend only huge sums -- and these only to centralized agencies, and "It is assumed and often asserted that a given scale of benefits directly follows from the size of the investment in a project. ...[I]t is argued that incremental, locally directed production will entail too many risks, considering the enormous investment that has already been targeted deductively ... and that an investment the size of the DIP ... was hardly the place for training thousands of illiterate peasants, and could hardly be left in their hands." Moreover, it is always easier for the Bank to monitor a single, compact, technocratically oriented agency with a highly paid cadre of bureaucrats than to try to fathom the "vagaries and minutiae" of the ways of "backward" peoples.

To accomplish such broad aims, the peasants were offered arbitrary payment for their lands and were transported to new housing in model towns where they were forced to pay high rents and do as the town managers demanded.

Operating on the assumption that peasants were incapable of making decisions for themselves, the Dez Project managers assumed control over virtually all aspects of peasant life in an effort to make the farming classes conform to the planners' notions of what behavior in a "modern" community ought to be. Some of their efforts to this end are laughable, as when the Shah ordered that all men had to wear "Western clothing" in the model towns. The effect in most villages was to inspire the population to pool funds to purchase a single pair of trousers and shoes to be worn whenever a villager had to deal with bureaucrats in town.

Other DIP initiatives had more dire consequences: "model" houses were designed for families of four, when the average size of village families was much larger, with the result that living conditions were either desperately overcrowded or else some family members were relegated to the ranks of the "homeless"; massive (and enormously costly) irrigation canals were built that actually reduced tillable acreage (by intersecting existing centuries-old irrigation networks); schools and health clinics were built that were never opened for use even though the model town dwellers repeatedly petitioned the bribe-seeking town managers to do so -- and even though private firms offered to run them on a for-profit basis; "traditional orchards" of fruit trees, herbal plants, and wildflowers that were shaped by centuries of Iranian peasant culture were preserved, but the peasants who developed and maintained them were barred from using them, the town managers having reserved them for special holidays when "top State officials with their families and friends, often their Teheran visitors, claimed the paradise as theirs." The State constructed many facilities -- clinics, bath houses, and high schools, but "once these fulfilled its own showy ends it did not allow their use even when others offered to staff and run them." [p.175] In effect, the Dez Project curtailed local growth and stripped the peasants of virtually all rights to decide for themselves what endeavors they would or would not pursue.

Not surprisingly, these "transformed" peasants, far from accommodating the planners' notions of behavior in "modern society," behaved in ways characteristic of people who are forced to live under total State control: they feared the State; but at the same time were mistrustful and contemptuous of State authority; they resisted wherever possible further intrusions into their personal lives and were intensely suspicious of all "outsiders"; and perhaps more significant, in the face of the demoralizing regimentation imposed by the State, they allowed long-standing ties within social groups to crumble.

With respect to this last effect, according to Goodell the greatest damage done by the DIP was in disrupting existing local political and market structures that were themselves capable of accommodating economic growth -- "modernization" if you will -- once restrictions against the free use of land and labor had been removed.

The Myth of the Witless Peasant

A major contribution of Goodell's study is in revealing the peasant farmers' enthusiastic response in Rahmat Abad to the genuine economic freedoms granted them by the land reforms that abolished the traditional privileges of the landed aristocracy. Goodell reports that rapid "unplanned" growth there had followed the granting of economic freedom in the early stages of the Shah's land reform. The villagers' behavior plainly showed that many commonly held assumptions about the "backwardness" of all peasants are sheer myth. The Khuzestan peasants quickly adopted technological innovations, such as fertilizer, hybridized crops, and machinery (tractors, combines, etc.) that were useful to them. They vigorously sought to extend and develop new markets, even those in which they had no previous experience. By Dez Project standards, such growth was carried out on an extremely modest scale (one tractor would service an entire village; one or two trucks would carry produce to market; a single motorcycle would be shared by many families). But from Goodell's perspective this was growth on a manageable scale that effectively utilized existing resources and represented an incipient market-directed economic revolution.

Far from being bound by ancient ways, the farmers took advantage of every educational opportunity provided them. They even became their own "urban architects," abandoning their old huts for new homes on a modest scale that they subsequently planned to replace, as profits permitted, with larger, technologically more-advanced homes. They repeatedly petitioned the government for rural electrification, which would enable them to purchase and use modern appliances. In short, if permitted to make decisions for themselves, Goodell's peasants had all the earmarks of an aspiring capitalist entrepreneurial class.

Given the disruptions it occasioned in peasant life, the denouement of this story is not surprising. Shortly after the "experimental stage" in model town building was completed in 1976, the Dez Project collapsed suddenly. During the next 2 years, the agribusinesses it had fostered were declared bankrupt and the Shah and the State took them over, requesting the former peasants whose lives had been so upset to return to farm the land that had first been given them, and then

taken away by the DIP.

Goodell reports that since then, the Ayatollah's revolution "finally completed the Shah's land reform for him, distributing the land even to the landless.... The revolution also broke up the State farms, surely a confirmation that these had already failed." But the irrigation system that local farmers had successfully managed on their own had already been destroyed. And since the revolution, the technical manpower needed to operate the new canal system has fled. Furthermore, fertilizer is expensive and the revolutionary government has prohibited the cultivation of cash crops lest city dwellers be deprived of the less-lucrative grains. Goodell reports that "Thus some of the formerly prosperous farmers ... have begun to lease land that the revolution gave back to the landless and smaller farmers; the former then hire the latter to work it, consolidating fields once again in the hands of a nascent post-revolution landlord class." [p. 344] In short, progressive land reform, aborted by the disastrous intrusions of visionary economic developers and the subsequent ravages of internal revolution and external war, has come full circle.

This study thus runs counter to many commonly held notions about "modernization" that have provided the theoretical basis for development economists' central plans: namely, it shows how disastrous the-bigger-the-better "overnight miracle" planning that defies markets can be and how economically creative so-called backward societies are when given the freedom to pursue their own interests. One can only hope that Goodell's stark epilogue to her Iranian story is not prologue to further misadventures elsewhere:

Northern Khuzestan showed one of the first clear public signs of the impending revolution when as early as 1976 a band of high school boys declared Dezful to be a new Islamic People's Republic. Having drawn up its manifesto, they marched on the nearby air force base. ...The villagers ... had warned me, when we listened to the Ayatollah on radio: "He will fill the city streets ... with townsmen" [i.e., those whose lives and livelihoods had been disrupted by the Shah with U.S. support -- ed.].

Dozens of other Irans are waiting to happen throughout the Third World wherever large "top down" projects have been imposed on viable cultures. Unless development economists and other international policy planners gain a better understanding of the ruinous effects of their centrally planned, State-directed "development initiatives" -- and abandon them in favor of market-directed development -- in all likelihood more of our foreign aid will end up making enemies rather than friends.

XI. Lords of Poverty

This is a review essay based on Graham Hancock, *Lords of Poverty: The Power, Prestige, and Corruption of the International Aid Business* (New York: The Atlantic Monthly Press, 1989), 234 pp., \$17.95, hardbound.

In their enthusiasm to encourage the current momentum for democratic political and economic reform in Poland, Hungary, the Baltic states, and even Russia itself, many commentators have urged the Bush Administration to provide generous amounts of economic aid to Eastern Europe, no matter what the consequences for the Federal budget. Although primarily an indictment of the international aid "industry," Graham Hancock's recently published *Lords of Poverty* nevertheless may provide a useful perspective on this new foreign-aid question. Hancock asserts that, no matter where it is directed, such aid is "inherently bad" -- and almost invariably has damaged both those it is supposed to help and those (taxpayers) who eventually must pay for it.

Communist rule has, from an economic perspective, effectively reduced a good part of the Eastern bloc to Third World status. Indeed, the recent revelations of the impending economic demise of the Soviet republics and their Warsaw Pact neighbors have inspired some policy analysts to proclaim the need for massive aid to incipient Eastern-bloc democracies. They now speak of stunted development in Russia and Poland in much the same terms that previously have been used to describe the economic woes of Latin America, Africa, or the Asian subcontinent.

Not surprisingly, they also are recommending aid prescriptions similar to those that recently have been applied to troubled Third World debtors -- notably, infusions of Western capital via bilateral and international-agency "structural adjustment loans" to Eastern European governments. Reportedly, President Bush is prepared to discuss providing access to such aid to the Soviet Union (for example, via Soviet participation in the IMF and the World Bank) at his sea-going summit with President Gorbachev next month [December 1989 -- ed.].

Economic Aid for Whom?

Given this marked turn of events, it may be useful to review briefly one recently published chronicle of the effects of such aid in "traditional" Third World nations. According to Graham Hancock's *Lords of Poverty*, virtually all government-sponsored aid to underdeveloped nations has been disastrous. Indeed, he recites a litany of abuse and incompetence in the administration of international aid by the United Nations, the World Bank, and other organizations engaged in "humanitarian" pursuits that would more than fill the space available here. Suffice it to say that much of the aid provided through international organizations has gone not to those for whom it was supposedly intended, but rather to enlarge the fortunes of the aid bureaucrats themselves -- or to entrench Third World governments that have little or no interest in promoting the commonweal of those they govern. Where aid actually reached its intended destination, it usually was wasted on projects that did nothing to contribute toward (indeed, stunted) economic development. In Hancock's somewhat ponderous prose:

"[A]t every level in the structure of almost all our most important aid-giving organisations, we have installed a tribe of highly paid men and women who are irredeemably out of touch with the day-to-day realities of the ... underdevelopment which they are supposed to be working to alleviate. The over-compensated aid bureaucrats demand -- and get -- a standard of living often far better than that which they could aspire to if they were working, for example, in industry or

commerce in the home countries. At the same time, however, their achievements and performance are in no way subjected to the same exacting and competitive processes of evaluation that are considered normal in business. Precisely because their professional field is 'humanitarianism' rather than, say, 'sales', or 'production' or 'engineering', they are rarely required to demonstrate and validate their worth in quantitative, measurable ways. Surrounding themselves with the mystifying jargon of their trade, these lords of poverty are the druids of the modern era wielding enormous power that is accountable to no one." [pp.32-33]

It Hasn't Worked in the Third World

Hancock observes that "the ugly reality is that most poor people in most poor countries most of the time never receive or even make contact with aid in any tangible shape or form: whether it is present or absent, increased or decreased, are thus issues that are simply irrelevant to the ways in which they conduct their daily lives. After the multi-billion-dollar 'financial flows' involved have been shaken through the sieve of overpriced and irrelevant goods that must be bought in the donor countries, filtered again in the deep pockets of hundreds of thousands of foreign experts and aid agency staff, skimmed off by dishonest commission agents, and stolen by corrupt Ministers and Presidents, there is really very little left to go around. This little, furthermore, is then used thoughtlessly, or maliciously, or irresponsibly by those in power -- who have no mandate from the poor, who do not consult with them and who are utterly indifferent to their fate." [p.190]

"Aid is not bad, however, because it is sometimes misused, corrupt, or crass; rather, it is inherently bad, bad to the bone, and utterly beyond reform. As a welfare dole to buy the repulsive loyalty of whining, idle and malevolent governments, or as a hidden, inefficient and inadequately regulated subsidy for Western business, it is possibly the most formidable obstacle to the productive endeavors of the poor. It is also a denial of their potential, and a patronising insult to their unique, unrecognised abilities." [p.183]

"To continue with the charade seems to me to be absurd. Garnered and justified in the name of the destitute and the vulnerable, aid's main function in the past half-century has been to create and then entrench a powerful new class of rich and privileged people. ...At the same time ... it has allowed governments characterised by historic ignorance, avarice and irresponsibility to thrive; last but not least, it has condoned and in some cases facilitated -- the most consistent and grievous abuses of human rights that have occurred anywhere in the world since the dark ages." [pp. 192-3]

And It Won't Work in "Formerly Developed" Countries

With respect to the current situation in Eastern Europe, one might suppose that international

economic aid might have a better chance of promoting useful results. As "formerly developed" countries, for example, Poland and Hungary (and some parts of the Soviet Union) would seem to be in a better position to put subsidized capital to good use if they are willing to make the "structural adjustments" upon which international economic aid of the IMF-World Bank variety has become conditional.

Few would question the desirability of promoting many of the changes -currency reform, cuts in Government spending, elimination of subsidies and price controls, and the privatization of Government-owned monopolies -- that the World Bank loan provisions are designed to advance.

However, the problems Hancock describes have not gone away: the aid bureaucrats are more firmly entrenched than ever. And structural adjustment loans are made to governments that, providing they make the mandated policy changes, in effect are given *carte blanche* with the funds so obtained. In reference to the Third World leaders who have been recipients of such aid, Hancock cautions: "For such people money has probably never been easier to obtain than it is today: with no complicated projects to administer and no messy accounts to keep, the venal, the cruel and the ugly are laughing literally all the way to the bank. For them Structural adjustment is like a dream come true." [pp.59-60]

These invitations to larceny aside, and even accepting for the moment that the new leaders of the Eastern European reform movements (if they are able to hold onto power) are sincere in their desires to promote political democracy and economic prosperity in their beleaguered homelands, a fundamental problem remains. Namely, there simply is no way that Governments -- in the East or in the West -- can know what investments will produce the best results. Rather, that is what markets driven by the judgments of private investors decide.

Even under the "new and improved" provisions of international aid agencies, the aid givers and the aid receivers still refuse to acknowledge this inescapable element of economic life. What this means is that, regardless of how corrupt or venal the parties to the aid transactions may or may not be, any Government aid provided to our "former" foes most likely will be money down a rathole. But then, it is only taxpayer money.

XII. The End of History?

If the thinking of Francis Fukayama is representative of that of our State Department's best, then the country is in greater peril than we might have imagined. Fukayama, who is deputy director of the State Department's policy planning staff, is convinced that "the ultimate triumph of Western liberal democracy" already has occurred. As he asserted in the influential Washington publication *The National Interest*, the 20th century "seems at its close to be returning full circle to where it started: not to an 'end of ideology' or a convergence between capitalism and socialism, as earlier predicted, but to an unabashed victory of economic and political liberalism."^[1] As we discuss below, these notions are "intellectualoid" rubbish. In our view, Western-style democracy is today imperiled, not only by anti-liberal trends in many reaches of

the planet but also by not-so-creeping socialism at home.

"What we may be witnessing is not just the end of the Cold War, or the passing of a particular period of postwar history, but the end of history as such: that is, the end point of mankind's ideological evolution and the universalization of Western liberal democracy as the final form of human government." So says Fukayama. Although he grants that "the victory of liberalism ... is as yet incomplete in the real or material world," he insists that "there are powerful reasons for believing that it is the ideal that will govern the material world *in the long run*."

In fact, Fukayama closely follows a Hegelian teleological perspective that tends to view the course of human history as both self-actional and self-perfected. Stated briefly, this view posits that human affairs proceed in two separate realms, the "real" (material) and the "ideal," which interact in complex ways to shape the direction of history. The crucial question for Fukayama is: which "realm" is dominant?

Marx, for example, subscribed to a similarly dualistic view, but asserted the primacy of the material realm over that of the ideal (it often is said that he "stood Hegel on his head"). Fukayama, on the other hand, returns to the earlier "pure" Hegelian notion that the "ideal" is the dominant force and that "Consciousness is cause and not effect, and can develop autonomously from the material world; hence the real subtext underlying the apparent jumble of current events is the history of ideology."

Human history thus "is rooted in [a] prior state of consciousness" conditioned by, say, religious and cultural influences to the point that all behavioral phenomena are "essentially ideal in nature." The triumph of any such state of consciousness implies inexorable movement toward "the universal homogenous state," whatever its actual content. Indeed, according to this thinking, any contrary human actions or thoughts become inconsequential once it is believed that a particular "ideal" has "triumphed." As Fukayama says, "For our purposes, it mailers very little what strange thoughts occur to people in Albania and Burkina Faso, for we are interested in what one could in some sense call the common ideological heritage of mankind."

There is much more that might be said about this interpretation of events than can be accommodated in the space available here. However, the irony (and possible implications) of Fukayama's choice of a Hegelian model to celebrate the alleged planetary victory of "liberal democracy" ought not to escape notice. Hegel was anything but a classical "liberal." Indeed, his solution for coping with the evils of the powerful state was to make it more powerful. In this respect, one is left wondering what the "universal homogenous state" contemplated by Fukayama might be like.

Be that as it is, let us accept for the moment his assertion that the liberal ideal has "triumphed" for the present. There still remain the larger questions of whether liberal democracy (according to Fukayama's implied understanding of that term) will remain the dominant ideology among those already formulated; or whether humans really are so uninventive as to be at a loss for conjuring up any new ideologies (his "end of history" implies that there will be no new ideas).

With respect to the former, it should be noted that human history is not a one-way street. World

civilizations far more dominant than the West is today, whose adherents also were zealous in espousing their belief that their societies represented the ultimate in human attainment, have come and gone with disturbing frequency.

Sometimes they were replaced by less-developed forms of social organization and primitive "ideologies" as with, say, the retrogression that followed the collapse of Greco-Roman civilization. (As we discuss below, should today's liberal democracies begin to crumble under the weight of their excesses, it would be surprising if there were not at least some resurgence of previously discredited notions.) At other times, even overwhelmingly predominant centuries-old cultural, philosophical, religious and political notions were successfully challenged by "upstart" types of human behavior that eventually evolved into more-advanced societies, as when the Renaissance revolution in science sounded the knell of theocratic feudalism and ushered in the "modern era."

Today, many social critics, including ourselves hold the view that liberal capitalistic democracy in many ways has retrogressed during the past century (E. C. Harwood named this turn of events a "counterrevolution"). It is pretty clear, for example, that Fukayama's view of "liberal capitalistic democracy is tainted with a strong dose of socialism. As he says, "if the bulk of [Gorbachev's] present economic reform proposals were put into effect, it is hard to know how the Soviet economy would be more socialist than those of other Western countries with large public sectors."

Have People Run Out of Ideas?

Although we eschew rigid ideological notions, it ought to be noted that at least an incipient ideological revolution may today be challenging the dominant liberal democratic view of the State Department variety. A strong intellectual undercurrent has developed in opposition to hybrid capitalism, perhaps most notably in today's vaguely stated libertarian ideology, and more specifically in what David Friedman has named "anarcho-capitalism."^[2] The point is that, from a genuinely capitalistic viewpoint, the battle of ideas has scarcely been joined, let alone won.

Beyond this, the prospect for the development of genuinely new ideas (not necessarily useful ones) about the organization of human affairs would seem to have been enhanced by very recent technological advances. Indeed, there already are indications that thinking is beginning to turn in that direction. The recent work of George Gilder and other advocates of the age of the microprocessor would seem to imply that "quantum" advances in information technology may in the not-so-distant future permit the bypassing of many traditional forms of social, economic, and political organization. Although it has not been adequately specified, the most far-reaching implication of some of this recent work is that intermediaries of all sorts including the biggest middle-man of them all, government may, from an "ideal" perspective, become largely obsolete.

In short, despite Fukayama's metaphysical attachments, it seems highly unlikely that all human ideological battles have been settled for all time or that history has come to a screeching halt. In our view, it seems just as, if not more, probable that a century or so from now intellectual

historians may describe our time as one of historical beginnings.

A More Useful Approach to Understanding History

The dawning century may hold as yet undreamed of intellectual surprises. But in our view the rough outline of an open-ended approach (not an "ideology") toward the attainment of human progress has been developing for some time in fact, for about three and a half centuries. Its successes to date have been impressive, but it has by no means gained universal acceptance -- nor, given past human behavior, can such acceptance necessarily be expected. Very simply, it involves the application of modern scientific method to the problems of humans in society.

As we have written extensively elsewhere, one of the primary requirements of modern scientific procedures of inquiry is that outmoded dualistic notions that consider the "real" and the "ideal" as separate entities and ascribe to them metaphysical self-actional powers must be abandoned. As employed by Fukayama, Western "ideology" is a self-actional mentalistic construct that bears little practical relation to actual human affairs.

This is not to say that ideas are not important. They are. Humans often have been propelled to action by their beliefs, for better or worse. But human thinking behavior is inseparable from other types of behavior. Ideas do not possess "a life of their own," as so often is assumed in the intellectual formulation of policy and the interpretation of events - with the results almost invariably sheer fantasy.

In our view, a most important revolution in human affairs would be the abandonment of all metaphysical notions, including those involving "ideology," and the rejection of what has been called "the quest for certainty" in the pursuit of solutions to human problems. Instead, modern science requires the closest possible relation between observation and conjecture between theory and practice) and the willingness to accept all results as tentative and subject to modification and improvement, i.e., a method antithetical to that employed by Fukayama. The battle for this "intellectual" disposition has, for practical purposes, yet to be engaged on the popular front. But even a brief review of the recent past using those procedures suggests how different from Fukayama's are the results obtained.

The Recent Past Reconsidered

Disregarding possible future challenges, has liberal democracy triumphed even in the present, as Fukayama confidently asserts? On the basis of even casual observation, the answer would seem to be: possibly not. First, Russia and China: at this time, the "democratization" of the Soviet Union remains largely a fiction of the Western media, and would seem to require heavy discounting until it is established that proposed changes are carried out and sustained. And it is not clear (their enthusiasm for Boris Yeltsin notwithstanding) that the Russian people themselves

are ready to embrace Western-style democracy no matter what their leaders may want. Unlike some satellite republics, they have little experience with democracy, and while they want material progress, it is far from clear that they will be willing to give up the meager security they have under communism (recall that several years ago a planeload of Russian immigrants left New York for home, having found themselves unable to cope with the strains of living in a relatively free society). The attitudes of the general population of mainland China are even less understood, but it seems abundantly clear after the events of Tiananmen Square that China's leaders are scarcely ready to relinquish their totalitarian control over their subjects.

The recent events in Hungary, Poland, and the Baltic States, on the other hand, seem to show convincingly that a majority of those populations embrace a liberalization of the political and economic structures in their countries. However, when one is seeking trends, it is changes across time that count. In this respect, it should be noted that Hungarians and Poles have been yearning for freedom for decades (does anyone remember the Hungarian Revolt of 1956?). The same can be said of the Baltic states Latvia, Lithuania, and Estonia. Indeed, the inhabitants of those states accepted their annexation only at gunpoint. They have, at least since World War I, always been in the "liberal" camp. In short, recent events in those countries do not represent an intellectual shift from East to West.

Outside of Eastern Europe, "ideological triumphs" may have been more frequent among the anti-liberal forces than among the advocates of Western-style democracy. Thirty years ago, there was considerable optimism that the forces of "modernization" would quickly democratize Africa, Asia, the Middle East, and Latin America. The triumph of "democracy" was being celebrated in South Vietnam; the Shah was believed to be ushering Iran into the fold of Western nations at breakneck speed; Brazil and Argentina were supposed to be on the road to fulfilling the hopes of Latinos who longed for a South American equivalent of the United States; and "democratic modernization" was the key phrase bandied about in academic and policy circles following the decolonization of the African continent. At that time, many believed that the triumph of democratic capitalism, hastened by massive commitments of aid from the Western powers, was inevitable. We know now what happened in all of those places, and it was not the creation of liberal democracy.

Of greater concern is the fact that current trends in the United States itself suggest movement away from liberal capitalism. Despite the free-market rhetoric of the 1980's, Government has continued to intrude into more and more affairs of its citizens. And, as we have repeatedly asserted in the pages of our publications, the statist policies of the Nation's lawmakers seem to be creating the preconditions for eventual collapse. If that does happen, it is probable that the competition among "ideologies" that propose a solution will be fierce and any notions that history has ended may seem even stranger than those of Mr. Fukayama's Burkina Fasoans.

NOTES

1. See Francis Fukayama, "The End of History?," *The National Interest*, Summer 1989, pp. 3-18. All citations of Fukayama are from this work.

2. See David Friedman, *The Machinery of Freedom; Guide to a Radical Capitalism*, New York, Arlington House, 1978.

XIII. Is Socialism Dead?

All around the world, socialist policies are on the wane. Experience has at last forced many advocates of socialism to concede that it is not a more efficient system. But many socialists continue to advocate centralized control of economic decisions (which is the essential ingredient of many "isms" besides socialism) on other grounds, such as morality or justice. Other, more doctrinaire, socialists deny that the actual experience of socialism is a valid test of its efficacy, *i.e., they claim that "genuine socialism has yet to be tried." Neither of these propositions can be disproved intellectually. The irony of this situation is that they are likely to retain their greatest plausibility in countries with the least experience with socialism in practice.*

Socialists have been thrown out of office in many of the industrialized democracies of the "first world," and the policies of those who remain, such as President Mitterand in France, have become more moderate. Many of the nations of the "third world" have begun to question and change the socialist policies that have led to their stagnation and bankruptcy rather than their advancement. Even in the "second world" of centrally planned communist societies, the dogmas of Marxism are being rewritten to permit individual rewards, risks, and choices. In short, the practitioners of socialism are on the defensive around the globe.

The Idea of Socialism

We should first attempt to understand what it is that makes a given proposal or policy "socialistic." There are many varieties of socialism and despite entire libraries of gobbledegook concerning the economics of socialism, there is only one basic notion involved. This notion is that *the allocation of resources must be guided by an elite group*, who must be given the power to override the decisions of ordinary people. Although most socialists probably would be infuriated by reduction of their elaborate analytic and historical arguments to this simple proposition, there really is little else that is essential to the socialists' position.

Socialists share the assumption that allocation of economic resources by a small group is preferable, if not inevitable, with some strange bedfellows -- monarchists, mercantilists, theocrats, and fascists, to name a few. The issues such as the ownership of the means of production, control of the distribution of goods, criteria for admission to the elite, etc. that distinguish socialists from, say, monarchists are less economically fundamental than the belief in centralized control that they share. All such groups, in theory, share the same goals of justice and prosperity (no one advocates a particular system as a way of fostering injustice and misery, after all), and they all reject or ignore the findings of Adam Smith and other students of market

processes.

Thus, the central economic issue for socialists is who is to be in charge of the allocation of resources. This explains not only why disputes among socialists tend to be bitter and vicious, but also why socialists had to posit "capitalism as its major rival. But "capitalism" as a doctrine exists only in the minds of socialists.

The main challenge to socialism and the system that socialists wish to supplant is what most of the world continues to call "liberalism." (In the United States, this name has been stood on its head -- U.S. "liberals" today advocate policies, such as wage and price controls, protectionism, regulation, subsidies, etc. that liberals traditionally opposed.) And, as F. A. Hayek observed, "There is nothing in the basic principle of liberalism to make it a stationary creed; there are no hard-and-fast rules fixed once and for all. The fundamental principle that in the ordering of our affairs we should make as much use as possible of the spontaneous forces of society, and resort as little as possible to coercion, is capable of an infinite variety of applications."^[1]

During the 19th century, liberal policies brought about an unprecedented prosperity in places where they were implemented. At the same time, a new type of individual, the entrepreneur or "capitalist," emerged as the dominant force in economic life. Inasmuch as such persons appeared to be the main beneficiaries of liberalism, in terms of wealth and power, socialists apparently concluded that liberalism was simply the means by which the capitalists had shouldered aside the aristocrats, landlords, and clerics that had previously dominated society.

So it was that classical liberalism was transformed into "capitalism" in the socialists' thinking. What they overlooked or denied was the fact that an individual entrepreneur only acquired or maintained prominence to the extent that he or she served the rest of society, *i.e.*, the position of an individual capitalist was not acquired or maintained by law, custom, a self-perpetuating oligarchy, or by raw force.

Some socialists, notably John Kenneth Galbraith, have addressed this issue by asserting that consumers are simply manipulated by businessmen (via advertising and other means) into purchasing whatever it is that the businessmen decide to produce. But this simply amounts to the assumption that the consumer is incapable of acting in his or her own best interest and a restatement of the notion that, since economic decisions will always be made by an elite, the fundamental issue of economics is how the elite is selected and what its goals are.

The Practice of Socialism

There are many ways in which a small group can assert control over economic decisions. They range from the confiscation of some or all private property, which, despite the rhetoric ("it now belongs to everyone"), means that the control of property is concentrated in far fewer hands, to subsidies and/or "normative" taxation of private transactions (*i.e.*, taxes designed more to influence private economic decisions than to raise revenue). In between lie an almost infinite variety of regulations affecting who may do what where. What all such measures have in

common is that prices will differ from what they would be in their absence. Indeed, the notion that prices should not deviate from levels deemed to be "just," "fair," or simply reasonable underlies all forms of official intervention in economic life. In a full-blown "command economy" (with all enterprises owned by the state), nominal prices are set by fiat.^[2] Elsewhere, tariffs are imposed and domestic monopolies (e.g., labor unions or the post office) are supported to prevent "unfair" competition from, respectively, foreigners or less favored domestic producers. Rent controls are imposed to prevent "gouging" by landlords, and so forth. In these situations, someone has a notion of what prices should or should not be and the political clout to impose that notion on others.

As long as such measures are the most significant determinants of economic life, socialists probably are correct in their belief in the primary importance of the selection of the elite and its goals. For example, when the British Parliament was dominated by the "landed gentry," it enacted maximum wage laws making it a crime to pay an employee more than a certain amount, in marked contrast to today's minimum wage laws. In this example, liberals (in the sense used by Professor Hayek, above) long ago concluded that proscribing wages above a ceiling reduced the supply of labor (some employers could not obtain workers at the maximum wage that they could have obtained at a higher wage), thereby curtailing economic activity. (By the same token, minimum wages curtail the demand for labor.) In short, when prices are not free to reflect supply and demand, the result is a chronic shortage or an unsalable glut. Either situation indicates that an economy is not performing at its current potential.

It was, to repeat, an increased reliance on what Hayek called the spontaneous forces of society" that produced the greatest and most rapid transformation of economic life in the history of the world. From the beginning there were critics, who opposed this transformation because they believed that they were losing status and/or because they longed for a simpler pastoral society where "everyone knew his place." What distinguished the socialists from other critics was their claim that their proposals would end what they perceived as the "inefficiency and waste of ruinous competition," and promote sound and perhaps even more rapid economic growth with a more equitable distribution of consumption. Central control of the means of production and investment flows, they believed, would facilitate "more rational" planning.

Some socialist economists recognize the importance for economic efficiency of setting prices so that the amount produced equals the amount purchased. But they approach the question as an algebra problem, ultimately solvable with improved "models" and techniques, such as linear programming, high-speed computers, or input-output analysis. The difficulty is that the map is not the same as the territory -- even if the planners were free from political interference, they can never respond to technological innovation, or even to unforeseen circumstances (such as the bugaboo of Soviet agriculture - "bad weather") as quickly or even as "rationally" as free markets.

Despite the theories, "Socialism as a system of political economy has come a cropper wherever it has been tried. It has turned out to be politically oppressive, culturally stifling, and economically disastrous."^[3] This accounts for the current retreat of socialists and socialism. As George Gilder has written, "... years of socialist reality, in every partial and plenary form, leave little room for idealistic reverie ... socialist ideals have withered in the shadows of Stalin and Mao, Sweden and Tanzania, gulag and bureaucracy."

The recognition that socialism simply does not work as promised or expected accounts for the political and ideological shifts around the globe. There are some minor holdouts against the trend (such as Fidel Castro, who recently ended an "experiment" with farmers' markets, apparently because some Cubans were making too much money trading to suit him), but it is remarkable and pervasive. The most significant aspect is not specific changes of the past decade, such as the establishment of a stock exchange in mainland China and small businesses in the Soviet Union, the "privatization" of large segments of industry in Great Britain (and elsewhere), or the reduction in the top rate of personal income taxation in the United States from 70 percent to 28 percent. One could have predicted these changes 10 years ago only at the risk of being called a lunatic, but the even more astonishing change that underlies all the rest is that it is now difficult to find a socialist who will argue that the traditional socialist policies will lead to a more efficient and productive economy. In this sense (as a coherent, practical program) socialism seems to have "died."

The Socialist Dream

Nevertheless, there are some who cling to their socialist dreams. These include the (no doubt more comfortable) intellectual heirs of the "old bolsheviks" sent to the *gulag*, by Stalin himself, who believed that things would be different "if only Stalin knew." For some, no amount of experience can shake the faith in the possibility of socialist perfection. It may be noted that such persons seldom achieve or retain positions of power, in any system, with their illusions intact. A second group continues to advance socialist nostrums in the recognition that they would be costly in terms of economic efficiency, but are desirable nevertheless because they are "moral," "just," or even the "safe" thing to do.

For both groups, in short, socialism would seem to be a matter of religious faith rather than behavioral science. (Indeed, clerics, such as the Catholic Bishops or the hierarchy of most "mainstream" Protestant denominations in this country, seem especially susceptible in this regard.) In this sense socialism will never die as long as people can exercise selective imagination and assume either that society can be improved at not cost and/or that they can better assess the costs than anyone else.

NOTES

1. *The Road to Serfdom*, University of Chicago Press, 1944, p.19.
2. Of course, in such situations the real price usually is the nominal price plus the costs of standing in line, bribing sales clerks, or doing without, and is amply demonstrated in communist countries today.
3. John Neuhaus, *National Review*, August 25, 1987, p.44.

SOCIALISM IN THE UNITED STATES

Socialism as an international political movement never made much headway in the United States. Indeed, politicians of an interventionist bent long ago learned never to use the "S-word" in describing their policies.

Nevertheless, many, if not most, of the programs advocated by the U.S. Socialist Party during the early decades of this century have been adopted in one form or another. Moreover many aspects of the taxation and regulation of economic activity in the United States today employ the techniques of socialism even when they are used to advance purposes (such as sectional interests, special privilege, or "environmentalism") that were not incorporated into traditional socialists' goals.

Our progress toward reducing the extent of interventionism in the U.S. economy during recent years has been relatively minor in comparison to that in many other countries. One reason, of course, is that we have had much less to remove. For example, Margaret Thatcher had many more opportunities to "privatize" industry than Ronald Reagan, simply because large segments of British industry already were nationalized when she took office. But another factor may be that the U.S. electorate is less conditioned to recognizing intervention for what it is -- the substitution of the judgment of a small, often unaccountable group, for that of the vast majority of producers and consumers in the marketplace.

If the recent trajectories of change are maintained, it is possible that the U.S. economy could eventually become more socialist in practice than other countries, even those that proclaim themselves to be socialist.

XIV. Socialism in the Behavioral Sciences

In economics, 1986 could be described as the year that marked the rediscovery of the obvious. The Nobel prize in economics was awarded for scholarship that, boiled down, suggested that politicians often act in their own interests rather than for the public good. And, with the appearance that year of Professor Peter L. Berger's *The Capitalist Revolution*, it was openly

asserted that capitalist societies tend to "work" better than socialist ones.^[1] Among the conjectures offered by Professor Berger were propositions that "Industrial capitalism has generated the greatest productive power in human history"; that "it continues to generate ... the highest material standard of living for large masses of people in human history"; that "If capitalist development is successful in generating economic growth from which a sizable proportion of the population benefits, pressures toward democracy are likely to appear"; that "Capitalist development is more likely than socialist development to improve the material standard of life of people in the contemporary Third World, including the poorest groups"; and that "There is an affinity between socialism and the totalitarian project for modern society."

These, and many other conjectures contained in this wide-ranging volume, are scarcely new -- and many of them, such as the ones above -- seem to be fairly indisputable. What does give novelty to *The Capitalist Revolution*, however, is Professor Berger's insistence that a useful approach to the debate between capitalists and socialists must rely on scientific procedures of inquiry that are grounded in empirical evidence. Although his analysis sometimes falls short of meeting the requirements of such scientific analysis, it has generated interest among behavioral-science academics who say it could open the door to more useful inquiry. This, of course, remains to be seen.

Perhaps most provocative from a social-science perspective are Professor Berger's conjectures as to why socialism seems to retain appeal in Western intellectual circles in spite of its failures. As he says, the vast majority of intellectuals in communist-bloc countries have long since declined to take it seriously. Of equal consequence is the opposite question of why capitalism has largely failed to gain an intellectual following given its obvious successes. This two-sided problem seems of considerable consequence, since the Western intelligentsia continue to exert influence in circles of power despite their often anticapitalist animus.

The Persistent Lure of Socialism

In brief, Professor Berger - accepting some elements of Marxist notions of "class" -- identifies a "knowledge class" that has a primary "interest in having privilege based on educational credentials, in which this class has an obvious advantage." He asserts that "This interest could well underlie a general antagonism against privilege based on 'raw' achievement in economic terms and thus against the capitalist market system that, in principle, is open to anyone regardless of education or other extra-economic certification." Beyond this is the fact that "a large proportion of this knowledge class depends for its livelihood on government payrolls or subsidies. Put differently, the knowledge class has an interest in the distributive machinery of government, as against the production system, and this naturally pushes it to the left in the context of Western politics." Why Professor Berger adopts this notion of "class" to describe academic special interests is not clear. In any event, his analysis is a reminder of the extent to which Western behavioral scientists have depended on governments for their livelihoods.

However, central to Professor Berger's analysis of the intellectuals' flirtation with socialism is the notion of "legitimation" -- that is, the idea "that an enduring human community requires a belief

in its essential rightness." According to this line of thought, the strongest "intellectual" lure of socialism derives from its "myth-generating potency," which capitalism generally lacks: "Capitalism, as an institutional arrangement, has been singularly devoid of plausible myths; by contrast, socialism, its major alternative under modern conditions, has been singularly blessed with myth-generating potency."

Professor Berger observes with some irony (in view of the supposed Marxist antipathy toward religious belief of any kind) the appeal that may derive from a number of broad similarities between Marxist doctrine and biblical eschatology - and which currently may help to propel the efforts of the so-called liberation theologians. (He observes: "The final irony here might be that those who would marry Marxism and religion, along the lines of 'liberation theology,' might yet produce the sort of ultimate legitimization of the totalitarian project that will make the latter perdure for centuries.")

But regardless of whether its expression is overtly "religious," Professor Berger suggests "It is possible that the root cause for the mythic superiority is the fact that ... its realization never takes place. ... Thus there is the unending quest for the first case of 'true socialism,' always just out of reach, the quest taken up again after each disappointment. There is no capitalist equivalent of this (profoundly mythological, indeed religious) quest."

The Quest for Certainty

The foregoing analysis may sound vaguely familiar to long-time readers of AIER publications. Put in slightly different context, it describes what the philosopher John Dewey named the "quest for certainty." He observed this quest in a wide variety of human situations throughout the course of history and viewed it as a major obstacle to solving the problems of humans in society. As Dewey observed, this quest ignores the disproportions and uncertainties of the actual world in preference for some technical construction that postulates the existence of absolutes and perfections (in this case, the perfect socialist society).

We often have stated our view that such quests serve no useful purpose, and that a more constructive approach to human progress may be realized by applying the results of scientific procedures of inquiry to human problems. In the past, we have cited numerous failures related to attempts to impose visions of a "better world" that defy human behavior -- as well as the bundle of new problems that they usually create. We also have observed, as does Professor Berger, that such failures almost never have been taken as evidence that the quest is futile. Rather, the failures often have generated new and bigger plans involving ever larger visions of the "better world."

The book also provides occasion for an assessment of the difficulties that the promotion and preservation of capitalism are apt to face so long as humans continue to be prone to the "quest for certainty." Given what Professor Berger calls capitalism's "mythic deprivation," one might reasonably question how capitalist societies will fare should conditions change much. He asserts that capitalist societies generally have received only indirect legitimization -- and even that only

when they are working reasonably smoothly. He further notes that some (procapitalist) scholars -- notably Joseph Schumpeter -- have "believed that the very success of capitalism as an economic system undermines the cultural foundations on which it rests." This idea has "led to the notion that contemporary capitalism is undergoing a crisis of legitimacy. The notion then translated into a prediction that, divested of its legitimacy, capitalism is headed for its demise."

Professor Berger suggests that "This interpretation should be taken with a grain of salt." First, "there is nothing new about the incapacity of capitalism to legitimate itself directly (let alone to generate myths about itself). It was characterized by such an incapacity from the beginning." "Second, legitimations are most needed when a society or a social institution is in trouble.... [W]hen a society is working reasonably well, most people will look upon it as 'natural.'" Western societies are "working" today -- at least far better than socialist societies -- and there would thus seem to be little empirical basis for believing that capitalism will imminently face a "legitimacy crisis."

Accordingly, Professor Berger says there is no need to "invent" a countervailing capitalist mythology. For example, Adam Smith, capitalism's "theoretical father," believed that the economic system he was describing (of course he did not use the later term 'capitalism') was, quite simply, the natural ordering of society; that which is natural, almost by definition, does not require legitimation, mythic or otherwise (who would think of legitimating the law of gravity, or of concocting myths so that people will be inspired to act in accordance with it?)." He suggests that recent attempts "to put together something that one might call a capitalist myth" will be "irrelevant unless they acquire plausibility among groups of living human beings." In his view, this is not apt to happen: capitalism simply is not inspiring, and "Legitimation is as legitimation does."

The Lure of Capitalism

There is much that one might dispute about Professor Berger's assertions respecting the barrenness of capitalism as ground for human inspiration. One need only reflect on the behavior since World War II of the many individuals who have tried (some successfully many at the cost of their lives) to escape from Iron Curtain countries so that they might have a chance to become "capitalists" to see that something involved with capitalism has a potent lure of its own. Surely it belies the assertion that "capitalism' is not plausible as a motive for self-sacrificing heroism."

Indeed, capitalism - not as a narrowly confined and culturally burdened intellectual construct but as a name that conveys the totality of human transactions involved with meeting the requirements of production and consumption in free markets -- deserves far better than it has received even from Professor Berger. His analysis seems to depend on a notion of capitalism as a separate and confined entity -- a something apart -- that humans may interact with but which finally is divorced from "the total human experience." It also seems to depend, contrary to his own call for a closer relation between conjecture and observation, on the careful separation of "theory" from "results." This predisposition is fairly captured in his curious statement (given his procapitalist propositions) that capitalism is "an economic system and nothing else" whereas

"socialism is a comprehensive view of human society." It is implied that "economic systems," especially capitalist ones, involve somehow-restricted, less-comprehensive, and therefore less-fulfilling types of human behavior than the grand schemes of socialist or other visionaries.

Nothing could be further from the actual; indeed, the opposite seems to be the case. Economic endeavor under a competitive capitalist system embraces the whole of human aspirations. Success in such a system requires adjustment to virtually the entire span of human activity. By contrast, "legitimate" economic activities in *dirigiste* regimes, far from being "comprehensive," are narrowly prescribed by those in power.

The Social Implications of Free-Market Behavior

Some years ago, E. C. Harwood, AIER's founder, suggested a behavioral approach toward understanding the complex transactions involved in market economies that suggested the extent to which economic processes under competitive market systems usually have been misrepresented. He offered an analysis that described characteristics of free-market behavior that are overlooked by capitalism's critics but that have highly favorable social implications. In reference to the phrase "free competition," he wrote: "Many writers who use this phrase 'free competition' fail to realize that competition implies action in accordance with certain rules of procedure. Free competition, therefore, does not carry any implication of a 'free for all' fight, with gouging, biting, kicking, and scratching all permitted.

"Evidently, the rules and regulations governing or affecting competition may tend to create a fair field with no favor; or they may, on the other hand, through the award of special privileges of one kind or another, give advantages to some that are denied to their fellows. The phrase 'free competition' implies the former condition. 'Free competition,' therefore, implies that each individual concerned must of course comply with the rules, but that the rules, including all the customs, institutions, and laws of the social group, are such as to ensure a fair field with no favor. ...In short, where there is free competition the competitors are striving to perform those economic functions that are most desirable from the viewpoint of the consumer, and of course nearly all of the consumers are likewise competitive producers.

"If now we enlarge our viewpoint, so that instead of considering only a few individuals, we regard the social group in its entirety, free competition is seen to be that situation in which men are voluntarily cooperating. All of the group, by purchasing what they prefer, encourage those best qualified to provide the desired economic things including services. Each of the group who is offering things in the markets voluntarily seeks to cooperate by performing in the economic role where he can most effectively serve his fellows and thereby maximize his own reward in the marketplace. ...Thus, 'competition' and 'cooperation' become, under such conditions, merely different labels for the same highly efficient economic behavior."^[2]

E. C. Harwood qualified his analysis with the remark -- equally applicable today that "there is no implication that free competition has ever actually existed or does now exist in any locality. It may have existed in the past, may exist somewhere at present, and conceivably may exist in the

future at some time or place, but the fact that it does not now exist in the United States, for example, does not lessen the usefulness of the notion for the purpose of this discussion." He also cautioned repeatedly over the years that any expectations that there could be any "quick fix" to human woes -- whether from socialists or capitalists -- were bound to be disappointed. In his view, progress in human civilization, if it is attainable at all, comes very slowly.

Outlook

As Professor Berger says, capitalism is not "on its last legs." But neither may be socialism. The lure of the better world promised by socialists often has proved strong even in the face of the better world delivered by (relatively) free-market endeavors. This could be problematic if downturns in economic activity or political disruptions become severe. Today, popular tolerance even for minor reversals or perceived threats to economic "security" seems extraordinarily slight compared with that of previous generations.

Today many adjustments that from an economic perspective ought properly to be viewed as usual market developments are portrayed as crises of major proportions. A severe recession or depression could foster greater intolerance of markets and enhance the appeal of socialist visions and policies. In short, the lure of socialist "solutions" to human problems may persist, no matter how great the genuine advances made via capitalism. Despite its shortcomings, Professor Berger's book underscores the need to persist against that lure. In our view, the most useful way to do so is to continue to educate the public about the results of empirical inquiry into human affairs and to foster conditions that permit markets to function more freely and so allow them to continue to create the social and economic "facts" that justify them in the public mind.

NOTES

1. Peter L. Berger, *The Capitalist Revolution; Fifty Propositions About Prosperity, Equality~ & Liberty*, New York, 1986, Basic Books. Dr. Berger is University Professor and Director of the Institute for the Study of Economic Culture at Boston University.
2. See the *Economic Education Bulletin*, "Free Competition Is Voluntary Cooperation" (March 1986).

XV. A New Eastern European Economics?

A number of economic commentators and political analysts recently have observed that, even if the current political liberalization in Eastern Europe is allowed to proceed, the creation of Western-style economic organization may prove difficult. Most analysts now expect that

economic conditions there will deteriorate further -- perhaps for some years -- before the needed adjustments reinvigorate the Iron Curtain economies. Most assume implicitly, however, that the process of "rebuilding" the Eastern European economies is fundamentally similar to that of restructuring ailing market economies. As we discuss below, such is not the case. The Soviet Union, for example, lacks even the most elementary features of a market economy - features that evolved over centuries in the established Western economies and involved numerous conflicts. In this respect, when "instant" revolutions have been attempted, the results often have been dismal -- even in the United States. An example from our own past may suggest how difficult it could be for the newly "freed" peoples of Europe to develop progressive economies, if indeed that is what they actually want.

The recent events in Central and Eastern Europe have startled commentators of virtually all politico-economic persuasions -- from the most "radical" Western proponents of socialism to the most "conservative" exponents of free-market capitalism. The former, who for years have missed the intellectual tide that has eroded statist orthodoxy in nations under communist rule, understandably seem at a loss to respond to the latest actions of "the masses" there. At the same time, a number of the West's most-ardent champions of individual liberty, who are understandably skeptical that any significant "revolution" in human affairs will occur in the erstwhile Iron Curtain countries until the former rulers relinquish all power, say that, as yet, "nothing has really changed."

Mainstream opinion, on the other hand, apparently shares in the jubilation of the East Germans, Hungarians, Poles, and Czechoslovaks who, heady with their unexpected success in toppling the apparatus that has confined them for so many years, are publicly proclaiming their devotion to "liberty," "freer markets," and in some instances even unabashed "capitalism."

Admittedly, some media and political commentators both there and here say that the road to genuine political change and sustainable economic progress will be difficult. The Bush Administration, for example, urges that caution and restraint are necessary in all future dealings (and has encountered criticism from both sides of the political spectrum for so doing). All told, however, it is our general impression that many now believe that the path toward Western-style democratic capitalism, with allowances made for regional and ethnic differences, has been blazed. While traveling that road may be difficult for a time, its direction is clear.

The Unhappy History of Raised Expectations

In our view, significant changes have occurred in communist Europe, if for no other reason than that the people who have run things so badly for so long apparently no longer will have unrestrained authority. However, as the discussion below may suggest, the eventual outcome of those changes may be quite different from what any of the media or political pundits so far have contemplated.

Few, if any, "instant revolutions" in human affairs have succeeded over the long run. The most successful genuine revolution to date, that of our own country, proceeded only gradually

throughout the 17th and 18th centuries, as the privileges of the colonial powers gradually were eroded by popular requirement. Only late in the 18th century, after more than a century and a half of not-so-subtle popular pressure for institutional political and economic change, did the opposition to repressive government erupt into general sustained conflict. Even then, it took many years before the establishment of any new authority had been completed to the satisfaction of most of those involved in the revolution (*i.e.*, with the ratification of the Constitution -- a governing document that has been and remains subject to continual modification by different generations).

The complex process of building an economy under the precepts of representative democracy was vastly aided here by the prior development of innumerable social and economic conventions characteristic of private market enterprise. Despite British strictures, the colonial economies in practice had been allowed to develop fairly independently according to the actual needs and capacities of the colonists themselves. Private property was an acknowledged right and was widespread; and private industry and commercial markets were well-developed, despite the Crown's efforts to impede them. In effect, the formal dissolution of the political bonds that tied Britain and the American colonies to a large extent ratified conditions that already prevailed. Even at that, the process was extraordinarily difficult, as the turbulent economic and political history of the first half of the 19th century, which culminated in civil war, attests.

Almost everywhere else -- especially in Russia itself (and in some parts of the United States, too) prior attempts to impose instantly a genuinely liberal reform that were not so underpinned turned out disastrously. In Russia, for example, the freeing of the serfs in 1862 met initially with jubilation among the reformers not unlike that of today. But the serfs usually had no capital -- either land or anything else -- to enable them to develop independent enterprise, and their lot scarcely has improved since.

Closer to home, the emancipation of American slaves during and after the Civil War similarly was greeted as the "jubilee" both by the slaves and their abolitionist patrons. It should not escape notice that, even more than the American Revolution, emancipation represented the most sweeping defeat of special privilege and victory for individual liberty that had occurred in the New World. It was widely believed among 19th-century civil libertarians that -- although the road would be rough and the going would be slow -- the freedmen could, if provided the necessary aid, successfully enter the mainstream of American private enterprise during the decades following the war.

To this end, an unprecedented effort to aid the freedmen both economically and politically was launched during the Era of Reconstruction. The slogan of the jubilee was "forty acres and a mule" - and in a number of regions of the former Confederacy rapid redistribution of landholdings was accomplished. Add to this revolution in property the educational efforts of the Freedmen's Bureau, numerous missionary societies, and the political power bestowed upon the former chattels by the 15th Amendment and the ascendancy of the Republican Party, and one might assume that a prescription for progress was firmly in place.

As events turned, however, and as even a brief reading of the history of Reconstruction and afterward shows, those efforts proved, in the words of the disillusioned northerner Albion

Tourgee, to be "A Fool's Errand." Not only did the former slaves' freedom prove hollow in many respects, but the economic and political fortunes of the Old South's "underclass" of white farmers also declined in the wake of the collapse of plantation slavery. By the turn of the present century, many Southerners -- white and black -- survived a meager existence as *de facto* vassals of an economic order characterized by decreasing productivity, eroding markets, and chronic scarcities of the goods and services fundamental to maintaining even subsistence standards of living.

Although it remains a matter of debate, current historical research strongly implies that some slaves, and almost certainly many nonslaveholding whites known as "yeoman farmers," may have been better off physically before the Civil War than they were for many decades afterward (the emotional benefits of freedom, it goes without saying, were incalculably greater). At the same time, the pace of growth of the rest of the American economy during the so-called Gilded Age accelerated (albeit punctuated by panics and depressions).

More important for the political concerns of those who are observing the current changes, the economic debacle of the post-Civil War years was aided and abetted by the development of an authoritarian Southern political culture that by the advent of World War II was widely regarded as a uniquely American equivalent of European fascism. The genesis of that political culture, it should be noted, depended in large part on the support of precisely those elements of society that before the Civil War had been most resentful of the slaveholding plutocracy -- namely, former nonslaveholders who had assumed the status of "poor whites" by the end of the century.

The Current Analogy

It always is risky to draw too much significance from similarities between distant events and places. That said, however, the experience of American Southerners (both black and white) after the Civil War may suggest how difficult it is apt to be for the peoples of Eastern Europe today to begin the process of establishing a new liberal economic and political order (assuming that is what they genuinely desire, which is by no means clear).[1]

A principal difficulty of southern whites and blacks after the Civil War was that much of the productive capital of the South had been destroyed as a result of four and a half years of "total" conflict. However, it is hard to see how the effects of communist economic planning in postwar Europe (a kind of *de factoc* economic warfare) have been all that different. Reportedly, much of the "infrastructure" in the Soviet Union -- notably the railroads -- are collapsing. And the plant and equipment upon which Iron Curtain industry relies is said, if it works at all, to be pitifully inefficient by contemporary Western standards (business managers even in crucial industries still use abaci, not computers, to perform calculations).

Of more fundamental importance, across much of the Iron Curtain there simply is no provision for the private ownership of the means of production. As with the post-Civil War South, no one in the Iron Curtain countries has even begun to address the question of how land, mineral rights, existing plant and equipment, and the like might be converted to private ownership. Even those freedmen who got 40 acres and a mule had no capital with which to buy seed corn or implements

with which to plant. As a consequence, most took out loans in the form of crop liens that were held by other landholders or merchants (*i.e.*, established capitalists). Given rocky markets for their product (cotton), only a few succeeded in retaining the land; most became "sharecroppers" who by 1900 were virtual serfs to owners who in some instances had owned them as slaves a few decades earlier.

In the case of the Soviet Union and its satellites, the situation may be even worse: there are virtually no capitalists at all, which suggests that the development of those countries' resources by necessity will depend on the distribution of rights to the means of production via some arbitrary political, rather than market, process. This unavoidable circumstance is a prescription for at least short-run disaster (and which politicians will decide who gets what?).

It is worth noting that in the capitalist countries, the process of delivering productive resources into private hands in some cases has taken centuries and repeated internal and external conflicts -- and indeed has nowhere been completed yet. If they wish to establish genuinely free enterprise even on a modest scale, the Soviets and their counterparts face an unprecedented task for which there are no established rules.

Beyond this, even if by happenstance whoever is in charge succeeds in conveying the means of private production precisely to those most capable and willing, there are no established markets -- as there were none in the American slave community -- that provide reliable information to enable efficient production. For decades, the system of state allocation of production quotas has stifled information about what goods and services consumers most want. In the absence of that information, any individual attempts to decide what and how much to bring to market will be extraordinarily high-risk ventures (producer risk is much greater in limited markets than in established consumer economies, where it is distributed across a proportionately much wider range of products and purchases).

In short, the difficulties that the "freed" nations of the Soviet bloc now face, and the probability of disappointment, would seem to be incalculably greater than most commentators are willing to admit -- or even consider. Of course, the process of adjustment to market conditions and political democracy could occur quite rapidly. But if it does, it would be an unprecedented achievement that flies in the face of similar experience elsewhere where conditions seemed to be more favorable.

The opposite possibility is that, as with some prior "instant revolutions," this one too may fail. (Although it is a matter of speculation, this may be what those now relinquishing power hope and expect. Presumably, they are aware of the mess that they have created and do not want to assume the blame for further deterioration of conditions.)[2] History strongly indicates that if such happens, the chances for the survival of genuinely liberal institutions is slight. Rather, as happened in our own country little more than a century ago, a return to authoritarian political and economic organization -- even though it probably will not be called "communism" -- seems just as likely.

NOTES

1. It is far from clear that most people behind the Iron Curtain actually aspire to free-market capitalism. Although news broadcasts recently have often featured fresh-faced young people using the words "freedom" and "free market," there is little indication that they have much idea of what behavior those terms imply.

Rather, recent poll' in the Soviet Union and elsewhere in Eastern Europe strongly suggest that many, if not most, people there oppose mainly those currently in power -- not "the system" itself. And while many plainly want to see an end to corruption and desire a greater say in the political decision-making process, their use of such terms as "communist democracy" strongly suggests that market determinants will continue to be excluded from the economy.

For example, reportedly when asked if "lazy" industrial workers should be given greater freedom or should be subjected to greater government penalties for failure to produce according to quota, a sample of Soviet citizens revealed that only about 29 percent favored the former while 60 percent favored the latter ("the government should make people work harder"). In another instance, when asked if inefficient enterprises should be allowed to fail, an Eastern-bloc "free marketeer" responded that they should; however, when asked what then would happen to the workers who were fired, he replied "the state will take care of them."

2. It is not beyond possibility that Mikhail Gorbachev attained "power" so easily because other, more-seasoned members of the Soviet power structure reasoned that conditions had, in fact, become unmanageable. Gorbachev's youth and idealism favored his selection -- *i.e.*, he may have been set up as a fall guy to take the blame for the problems that his elders had created.

XVI. Earth Day Fallout: The Two Cultures Revisited

Beyond revealing popular endorsement of the notion that humans ought not destroy the planet Earth, the current environmental movement also suggests continuing opposition to science -- and the degree to which even crucial findings remain unknown to the public.

The recent Earth Day celebrations, and reactions to them, in a number of ways seem to reflect an evolution of the "cultural" division outlined by C. P. Snow some 3 decades ago.[1] At that time, Snow lamented what he believed was a growing distance (in Britain) between ways of thinking that were characteristic of followers of the modern "scientific revolution" -- chemists, physicists, biologists and other practitioners in the "hard" sciences -- as distinguished from those of the adherents of a humanistic tradition - "intellectual" writers, poets, artists, publicists, and others who were the products of education that embraced arts and letters.

At that time, especially at Cambridge University, the spilt between the scientists and the nonscientists degenerated to the point that effective communication between the "combatants" ceased altogether. The scientists ridiculed the scientific illiteracy of the "arties"; the intellectuals, on the other hand, observed that scientists seemed "innately incapable either of creating or appreciating art" in its myriad forms.

In the words of one historian, Snow reckoned that this "refined form of adolescent naming

calling" was in large part a reflection of the apparent fact "that scientific intellectuals were at heart committed to and optimistic about the scientific-industrial evolution of British society. Poets, writers and artists generally, on the other hand, were at this time estranged from the advancing mass-civilization which threatened to overwhelm their minority culture. To the extent that natural scientists were identified with various forms of 'modernization', it is not surprising, Snow has concluded, that they became favorite targets for students and donnish aesthetes."^[2] In its current continental and transatlantic mutations, this cleft -- or something similar to it -- appears to have assumed a particularly shrill form in the approaches to environmental concerns (not necessarily problems) that have captured public attention and that some say will shape the political and economic agendas of the 1990's both here and abroad.

It also has undergone a couple of twists: it no longer is confined to the halls of academe, but employs all the techniques of modern mass communication and persuasion; and what appear to be the profoundly anti-modern views of today's aesthetes now often are shrouded in the language of science. Insofar as they tend to champion the goals of such "futuristic science" at the expense of the institutions that have fostered the growth of liberal Western civilization, today they would seem to harbor the potential for eroding the foundations of political and economic democracy.

Put simply, we are told that, if it is not already too late, the planet Earth will become uninhabitable unless humans cease their destructive ways in short order -- by some accounts in a matter of just a few years. According to this scenario, if we do not poison ourselves and the other creatures on the planet first with the toxic residues of herbicides, pesticides, and other carcinogenic by-products of production, or if we do not become silent victims of nuclear waste, then we will fry (or drown, depending on where you live) as the greenhouse effect and the depletion of the ozone layer simultaneously heat the earth, turning verdant forests into deserts and melting the polar ice caps, and permit lethal ultraviolet radiation to penetrate us all. It is said that only vastly expanded Government regulation of resources and production -- "environmental planning" -- can prevent all this.

Fortunately, there are ample data to suggest that the reports of the impending death of the planet may have been greatly exaggerated. It may give some comfort to know that earlier, similar, predictions went unfulfilled (e.g., in 1969 Paul Ehrlich predicted that "the end of the oceans" would be forthcoming in the summer of 1979; others said we would all starve by the mid-1980's). It is far beyond the scope of this discussion to review even in brief the entire record pertaining to the potential for such disasters. However, a few examples may suggest how wide the communications gap between the scientific world and the general public has become.

For one, although many apparently believe that conditions for the sustenance of human life have deteriorated steadily with the advance of modern technology and are perilously close to ending, the most pertinent data -- namely, mortality and life expectancy records - indicate the opposite. The indisputable record is that humans in the technologically advanced countries live longer and healthier lives than humans elsewhere, and that the risks of disease and early death are continuing to decrease.

This does not imply that life is now or can ever be without risks. But it does suggest that popular perceptions of current risks may have been distorted by the selective presentation of data --

especially seemingly alarming probabilities that reflect what one statistician calls "multiplier terrorism." As he writes:

"Recently an antipollution group predicted a 100-fold increase in cancer risk in a neighborhood where someone had dumped dioxins. On the face of it, the prospects sound terrible. Is it not best to move out of such a neighborhood? The prediction may well be correct, but what is the actual risk? Assuming the probability of contracting cancer because of dioxin ingestion in a "clean" area is only .00001 to begin with, it would now be .001. How bad is this? The probability of contracting cancer from all sources is already .2 for the general population. Is the difference between .200 and .201 worth selling one's house for? The decision is obviously a personal one, but it might as well be an informed one. "[3]

Or take acid rain. It apparently is widely believed that acid rain in the Northeast has created hundreds of "sterile lakes" and threatens to destroy entire forests. The data strongly indicate that acid rain has indeed decimated the red spruce population at higher elevations. However, other data suggest that decreases in the fish population in the Adirondacks, the area chiefly affected, were the result not of acid rain but rather of the reforestation of previously timbered watershed. Conifer forests are themselves highly acidic (they thrive in acid soils, and acid rain actually may fertilize many of them). The acidified runoff from the new forest floor lowered the pH in lakes and streams to earlier levels that prevailed for the eons when those waters had been naturally fishless. A 1984 lake survey by the Environmental Protection Agency's National Acid Precipitation Assessment Project (NAPAP) found that over half of the acid lake capacity identified is in Florida, which does not get appreciable amounts of acid rain.[4]

Or consider the greenhouse effect, which has been known to science for decades but currently has generated near-hysteria and demands for a drastic reduction in human carbon dioxide emissions (for what it is worth, the world's termite population generates more than twice as much carbon dioxide as do humans; the more forests, the more termites). Only recently has the popular press revealed that actual temperature data show no sustained long-term warming trend and that computer models that have predicted rapid global warming have failed to take into account offsetting cloud effects, evaporation, precipitation, and other changes.[5] On the other hand, reliable data show that the earth is at the peak of its latest geological warm cycle, a product of the earth's wobble on its axis. Geological predictions based on consistent data covering more than 20,000 years indicate that we are about to slip into a long-term cooling cycle that will culminate in the next Ice Age.

One can only conjecture why data that are well-known to the scientific community and are easily accessible to anyone who is literate have not been more widely communicated to the public. One reason no doubt involves the scientific illiteracy of the American public. The unfortunate fact is that those who have assumed responsibility for reporting and interpreting pertinent discoveries (*i.e.*, the media) are themselves ignorant. It may also reflect lingering contempt among scientists for the "intellectual" culture described by Snow, and vice versa. One supposes also, as he did, that those on both sides who withhold or deny contrary evidence have specific interests in doing so. But that is the topic for another discussion.

NOTES

Snow's *The Two Cultures and the Scientific Revolution*, first published in 1959, has been revised as *The Two Cultures: And a Second Look* (Cambridge University Press, 1969).

2. See Gary Werskey, *The Visible College: The Collective Biography of British Scientific Socialists of the 1930s*, New York: Holt, Rinehart and Winston (1978), p.25.

3. A. K. Dewdney, "Mathematical Recreations," *Scientific American*, March 1990, p. 120.

4. See Edward C. King, "Fish Story: The Great Acid Rain Flimflam," *Policy Review*, Spring 1990, pp.44-48. King is a soil scientist with the Illinois State Water Survey who studied lake acidification for the Connecticut Agricultural Experiment Station.

5. For a discussion of the earth's "self-regulating" mechanisms, see *The New York Times*, May 7, 1991, p. C4.

XVII. Boomsters 1, Doomsters 0

Contrary to Malthusian notions of scarcity that have propelled the eco-environmentalist movement, world resources are becoming more, not less, plentiful. The world's food supply is improving, pollution in the United States has been decreasing, and economies do not suffer, but rather benefit, from population growth. That many people continue to believe otherwise reflects, among other things, a failure to distinguish between the consumption patterns of nonhuman species and human resourcefulness.

"Ten years ago, an ecologist and an economist with bitterly opposing world views made a \$1,000 wager over an old question: Was the earth's population running out of natural resources? It was the doomster against the boomster, and this fall one of them [the doomster ecologist] had to pay up." So wrote reporter John Tierney in *The New York Times Magazine* last December in an article that marked a notable departure from that publication's long-standing "green" editorial policy.

Tierney's piece reported that in the scientific community, notions of impending planetary doom now are waning. It cited a recent report of the National Academy of Sciences that concluded, among other things, "that there was no clear evidence that population growth makes countries poorer ... but argued that other factors, like a country's economic structure and political institutions, were much more important to social well-being. ...It noted that most experts expected the world food situation to continue improving, and it concluded that, for the foreseeable future, 'the scarcity of exhaustible resources is at most a minor constraint on economic growth.'" Tierney also observed, however, that such views are "still far behind when it comes to winning over the general public."^[1]

As to the bet, University of Maryland economist Julian Simon in 1980 wagered Stanford ecologist Paul Ehrlich that over 10 years the prices of a basket of "scarce" commodities (selected by Ehrlich) would not increase as a result of dwindling supply but rather would decrease in response to exploration and discovery, technological innovation, and other human endeavors. The results a decade later showed Simon a clear winner: the prices of the selected commodities had decreased substantially and human well-being, as measured by life expectancies, food and energy supplies, and the like had improved.

The Resourceful Animal

This outcome confirmed in real-world terms what scientific critics of Malthusian predictions of ecological disaster have been struggling to publicize for more than 2 decades: namely, that the human use of resources differs greatly from consumption in the "natural world" that often serves as the referent for environmental fearmongering. Virtually every species except man is forced to comply with certain observed "laws of nature," which include severe penalties for behavior (or natural calamity) that threatens the supply of resources needed to sustain life. Overgrazing results in famines; too great success in hunting prey is followed by starvation and population decrease; too little or too much precipitation, or other weather anomalies, have similar effects. Overpopulation and resource scarcity thus would seem to be chronic threats to many species, and the so-called balance of nature is achieved through constantly changing circumstances that, for the affected animal populations, are uncontrollable and unforgiving. If the needs of the local population (of rabbits, rats, deer, cougars, or whatever) exceed the immediately available resources, disaster ensues.

But this is not always, or even usually, so for humans, and it often is mistaken to apply such "lessons of nature," as many environmentalists do, to human situations. As the 19th-century economist Henry George observed, "Both the jayhawk and the man eat chickens, but the more jayhawks, the fewer chickens, while the more men, the more chickens."

In human experience, scarcity has prompted an innovative search for ways to overcome shortages, usually with greater abundance, safety, and environmental cleanliness resulting than before. Scarcities of wood (many of Europe's forests were virtually obliterated between the 13th and the middle of the 18th century) initially gave way to energy derived from dirty bituminous "soft" coal, then the cleaner anthracite coal, which in turn gave way to petroleum-based energy, and subsequently to nuclear energy, which contrary to widespread anti-nuclear sentiment is measurably safer and far "cleaner" than either coal or oil. In agriculture, manual farming gave way in the late-18th and early-19th centuries to mechanization, thence to the 20th-century "green revolution" resulting from the combination of crop hybridization and petro-chemical fertilization.

In short, technological innovation in energy and agriculture has encouraged human population growth far beyond the limitations posited by Malthusian theory. And recent advances in soil science and genetic plant engineering, which hold out the promise of even greater yields and the elimination of the most-harmful side effects of current technologies (e.g., erosion and

salinization of crop lands, pollution of ground water, and the hazard of the improper application of chemical pesticides) would seem to promise even better results in the future. It is no wonder that the number of farmers in the United States has been steadily decreasing for the past 2 centuries. The simple fact is that the provision of foodstuffs in greater abundance and variety than ever before is one of the triumphs of modern technology -- and it ought to be apparent to anyone who has shopped the aisles of today's supermarkets.

In the words of Professor Simon, "Raw materials and energy are getting less scarce. The world's food supply is improving. Pollution in the United States has been decreasing. Population growth has long-term benefits ... [and] ... The United States needs more immigrants."^[2]

Beyond population concerns, there also is no scientific consensus that either acid rain, global warming, or ozone depletion pose the threats that are commonly supposed. Rather, a growing body of scientific research suggests that acid precipitation is a naturally occurring phenomenon (as has been known for centuries) whose environmental effects have yet to be accurately determined. In any event, the human contribution to this "problem" must be measured against acid precipitation that results from natural sources such as volcanic eruptions and the sulfur and nitrogen compounds that are produced by the decay of organic matter in swamps, wetlands, and the like.^[3]

With respect to global warming and depletion of the ozone layer, there simply are too few reliable data to make informed judgments. So far, there are no consistent data to show any long-term global warming trend, and the computer models used to generate predictions of future temperature trends suffer from flaws similar to those of the econometric models that have been so inaccurate in predicting economic events (and that we have criticized repeatedly). Inquiry into the process and extent of ozone depletion and its effects seems equally uncertain. According to the 1987-88 *Annual Report* of the Rand Corporation, "The extent of ozone depletion and the severity of the consequences of projected emission levels are extremely uncertain. Projections of future depletion are based on complex simulation models that have not been reconciled with the limited available measurements."^[4] In short, there simply is no good evidence that the world is falling apart.

Why Do People Believe "The End Is Near"?

One might think that the general improvement in human conditions ought to be obvious to anyone who has witnessed the favorable changes in air, water, and food quality, advances in medicine, and the introduction of various technological accoutrements that have "made life easier" here and elsewhere since World War II. But it apparently is not. Professor Simon's views (and those of like-minded colleagues) have gone virtually unheeded for the past 20 years while the eco-environmentalist vision of impending catastrophe has captured the public interest. Indeed, in the absence of scientific warrant for the belief that the planet is otherwise being destroyed, from a behavioral science perspective a challenging question is: what conditions have spawned the apparently widespread conviction in America that things are getting worse and that "the end is near"?

Professor Simon has identified a number of factors that may contribute to the popularity of Malthus-like notions.[5] With respect to population concerns, he posits "that there is in all of us a built-in intellectual weakness" that predisposes us to believe the worst. "We are predisposed in this manner because the negative economic effects of additional people are direct and immediate and local, and therefore obvious. In contrast, the beneficial effects are indirect and global and occur only after the passage of some time" and so are not obvious.

Beyond this, he observes that a number of groups have a parochial self-interest in promoting doomsaying ideas, among them the media, for whom impending calamities make dramatic news; the scientific community, for whom fears of disaster lead to support for research into ways to prevent them; and political interest groups intent on acquiring power through intervention in the economy (one might add to this list business interests that in the name of environmental protection seek to prevent competition). Yet others seem to harbor a fascination for "imagined impending disasters" or resist change of any sort (hence, the opposition to "development" disguised as environmental concern).

Others have cast apocalyptic views broadly within the context of Western religious culture. Although much of the current eco-environmental initiative would seem to repudiate a part of the Judeo-Christian ethic ("go forth and multiply," "subdue the earth," etc.), it nevertheless seems strongly supported by notions of redemption through suffering and the expiation of guilt that often is associated with religious salvation. In this respect, the sacrifices that are said to be needed to protect the planet are consistent with and help to fulfill the requirements of salvation.

We would add to this list two closely related obstacles to any broad understanding of the relation of humans to their environment. One is the scientific illiteracy of the American public. In view of the current propensity to romanticize and anthropomorphize virtually anything found in nature (including dinosaurs), it seems unlikely that this situation soon will change. The unfortunate fact is that even those who have assumed responsibility for reporting and interpreting pertinent discoveries (*i.e.*, the media) are themselves ignorant.

In larger context, eco-environmentalist views would seem to be a further expression of what John Dewey called the "quest for certainty," which has been an obstacle to human progress throughout history. It is perhaps understandable that with the collapse of Communism and the growing inadequacies of the welfare state, those inclined toward the quest for certainty would seek some new strain of utopian perfectionism. Ecoenvironmentalism would seem to promise a riskless society, ideally with as few humans as possible. In this respect, it is profoundly opposed to capitalism, the vitality of which depends on the willingness to assume risk. And inasmuch as it seeks an earth with fewer (perhaps many fewer) people, it also is profoundly anti-human. The irony of the situation is that the prospects for both human advancement and environmental protection have never been brighter, if only political regimes would permit people to pursue their own interests.

NOTES

1. "Betting the Planet," *The New York Times Magazine*, December 2, 1990, pp.52-3, 74-81.
2. * Julian L. Simon, *Population Matters: People, Resources, Environment, and Immigration*, New Brunswick, N.J., Transaction Publishers, 1990, p.1.
3. For a discussion of acid rain, see Dixy Lee Ray, *Trashing the Planet*, Regnery Gateway, Washington, D.C., 1990, pp.49-67; see also Research Reports, May 7, 1990.
4. Ray, *op. cit.*, p.44.
5. See *Population Matters*, pp. 3-8.

XVIII. Whither the National Interest?

In recent years, critics on both the political left and right often have opined that American foreign policy has been adrift in the "postmodern" world. It goes without saying that the diversity of views about what constitutes proper policy is extreme. While some have argued that even the most vicious dictators deserve our understanding and sufferance, others have expressed preference for a policy that would "bomb our enemies back to the Stone Age." But virtually all agree that the lack of clearly stated goals and procedures for assessing the national interest has entangled us in all sorts of predicaments.

Beyond this, foreign policy analysts are nearly unanimous in the view that, far from simplifying America's role in the "new world order," the collapse of the Soviet Union and the end of the Cold War have eliminated the principal referents of the State Department's ad hoc foreign policy of the past 30 years and so have complicated matters. Despite vague appeals to such diverse notions as the "end of history," a "Pax Americana," or "neo-Manifest Destiny," few have offered any specific advice as to what we should do next.

Rather, a resurgent current of isolationism suggests that at this juncture many Americans simply are tired of what they perceive as their leaders' half-century preoccupation with foreign affairs. A major reason the Bush administration was not returned to office seems to have been President Clinton's promise to turn his attention away from international affairs and toward domestic concerns. Viewed politically, it may be difficult to exaggerate the windfall effect for President Clinton of the public's apparent expectations about the "peace dividend" in the 1992 elections. But international problems do not just "go away" with a change of administrations in Washington, D.C. It is more than mildly ironic that, with the domestic economy indicating robust recovery, the principal "crises (other than those that were self-inflicted) that President Clinton and his advisers faced early in his administration were international ones. Almost surely, many others await.

Here we review broadly some of the main currents of thought that have shaped the foreign policy

debate during recent decades and assess the foreign affairs outlook of the new Administration in light of what is known about the views of the President and his advisers. Whatever the President's stance, many questions remain about the likely effectiveness of any foreign policy that relies principally or even largely on the prescriptions of the past. The record to date strongly suggests that a major hindrance to the conduct of American foreign policy is the lack of any coherent view of the national interest. The final sections of this discussion seek to develop such a view, and reflect on the possibility of conducting foreign policy in ways that are consistent with the behavioral science procedures to which AIER endeavors to adhere.

Globalism ...

Most recent discussions of American foreign policy *per se* have tended to follow the rough outlines of one of two major intellectual constructs. Respectively called "globalism" and "realpolitik" by their detractors, they have shaped debate over America's role in the international arena for the past 4 decades. The origins of these competing currents of thought extend back many decades, indeed centuries, and involve by implication a number of the same behavioral issues that have described religious and other sociocultural conflicts throughout the centuries. Given the historical distance between these two views, it is highly unlikely that a "consensus" foreign policy derived solely from either will be forthcoming soon, if ever. Indeed, each has been modified in late 20th-century America in ways that have tended to blur the distinction between them, even though fundamentally they remain based on irreconcilable "world views" that rely intellectually on markedly differing notions of human behavior. It would be impossible in a brief discussion to consider all of the differences between these two lines of thinking or even to begin to explore the many nuances involved. But even a brief recollection of their origins and development may, from a behavioral science perspective, suggest the many difficulties they tend to introduce.

Stated briefly, contemporary globalism in foreign policy -- sometimes called "globalist internationalism" or "disinterested globalism" inasmuch as it generally eschews or seeks a diminished role for national interests in policy calculations -- derives principally from Enlightenment notions of human perfectibility and is largely an extension of the Wilsonian liberal internationalism embraced for decades by the Council on Foreign Relations and resident State Department intellectuals. Viewed broadly, it has ruled the theoretical base of American foreign policy since 1917, and its adherents have included influential members of both major political parties. In its most simplistic expression, it posits the development of a "world community" (a.k.a. New World Order) based on self-determination, nonaggression, conciliation, arbitration, and, most important, "collective security" that is enforced through an international administration of some sort. Accordingly, national sovereignty at some point must submit to supranational authority -- the League of Nations, the World Court, the United Nations, the International Monetary Fund, the World Bank, and the like. During the Cold War decades it found its principal expression in the U.S. policy of "containment," and, following the collapse of the Soviet Union, has as its dominant foreign policy motif the "enhancement of democracy" around the world.

In view of the less-than-perfect results achieved thus far by the application of some of its tenets, virtually no one has been satisfied with the product of globalist-internationalist foreign policy. (it should be noted that not even its adherents credit it with forcing the demise of the Soviet Union, which generally is acknowledged to have self-destructed. Its detractors argue that the globalist elements of Cold War policy tended to perpetuate the communist regime.) Its numerous critics, including some former adherents, have observed that the unprincipled application of the precept of "enhancing democracy" has resulted in what Irving Kristol terms "self-debilitating equivocations" that belie American intentions.[1] Why were American policymakers ready to defend self-determination in Kuwait but not in Bosnia? (We need the oil; the Bosnians have nothing to offer.) To send troops to Somalia but not to other African nations where sociopolitical conditions are just as bad or worse? (Starving Somalis got television coverage.) To denounce "human rights violations" in, say, Iraq, while we overrode them in Southeast Asia (who wants war with Indonesia?) or China (a mighty big market). And so on.

Others (including this organization) have observed that economic aid, which is presumed to be a major tool of globalist strategy (as well as realist strategy, discussed below), tends to enhance neither democracy nor the economic well-being of its intended recipients. Rather, it often feeds corruption and further entrenches those in power. Inasmuch as it may distort markets and divert resources from better uses, it impedes economic growth and thwarts improvements in standards of living.

But globalism's most effective opponents may be those who have observed that, stripped of its moralistic and legalistic language, it amounts to an elitist fantasy that is contrary to the views of a majority of Americans, who simply do not concur in the wisdom of relinquishing national sovereignty for the sake of some vaguely conceived notion of world community. Even former U.N. Ambassador Jeane Kirkpatrick has called for the development of a foreign policy that is "ratified by popular majorities" rather than left to the devices of an out-of-touch elite.[2] So widespread have resentments against the globalist elite become that, given the burgeoning market for "New Age conspiracy literature, unlikely support from both the political left and right apparently has grown for the view that globalist plans have been and are being directed by a vast international conspiracy said variously to be ruled by Wall Street financiers and international bankers, a Jewish cabal, "big oil," Vatican bankers, Yale's Skull and Bones, the Council on Foreign Relations, the Trilateral Commission, the Bilderbergers, the Club of Rome, or one or more other secret orders.

... vs. Realpolitik

In contrast, realpolitik (called realism by its adherents) derives broadly from a pre-Enlightenment Western tradition which holds, in the words of the political scientist and realist strategist Hans Morgenthau, that "the sinfulness of man is conceived not as an accidental disturbance of the order of the world sure to be overcome by a gradual development toward the good, but as an inescapable necessity."^[3] Contrary to the notions of human perfectibility that apparently propel globalist thinking, realists generally subscribe to a view of human behavior that closely parallels the Judeo-Christian doctrine of original sin. Although there are many nuances in realist thinking

that admit the possibility of "the good" in the behavior of humans, a primary consideration in all human affairs is the establishment of various protections against the human propensity to do evil. While the theoretical underpinnings of American foreign policy during the past 4 decades generally have mirrored a globalist-internationalist outlook, its practical conduct often has reflected the application of the principles of realpolitik.

In international affairs, a distinguishing characteristic of realist thinking is its insistence that international relations differ crucially from domestic affairs, inasmuch as the international system is and will continue to be fundamentally anarchic. Accordingly, the various nations have discrete interests and the distribution of power among them -- which permits amoral powerful nations, unless restrained, to obtain by force whatever they wish -- becomes an overriding consideration. Where the strength of one or another of several competing powers becomes so great, or others become so weak, that their ambitions may threaten vast disruption, realism holds that international peace and prosperity are best advanced through fostering and maintaining a "balance of power," an international equilibrium somewhat akin to notions of general equilibrium described by economists.

To sustain such a balance of power over the long run, and especially in times of crisis, according to realist thinking requires that "ideological preferences" occasionally be subordinated to strategic considerations. Hence, the necessity sometimes for alliances with unsavory regimes and the sacrifice even of (usually minor) ideologically friendly powers. As a practical matter, concerts of power, even if fairly long lasting, always will be *ad hoc* arrangements subject to change.

Not surprisingly, realist views have been described by their detractors variously as "cold-blooded," "heartless," and "immoral," and have been blamed for many of the apparent inconsistencies that have plagued the practical conduct of American foreign policy. Hypocritical alliances with and aid to dictatorial regimes are said not only to have discredited American resolve to defend democracy, but also to have created situations where we have been obliged to arm our very enemies. Expedient promises that were made but not kept are said to have fostered resentments among potential friends. And assorted military adventures that many believe lacked purpose (or were undertaken for wrong purposes) and resolved nothing are said to have discouraged our allies, heartened our adversaries, and fostered domestic discontents.

The Administration's Foreign Policy Dilemma

Regrettably little is known about the President's views on foreign policy *per se*. Indeed, his campaign seems to have been conducted with the implicit promise that he would neglect foreign affairs. An obscure -- but to date the broadest -- clue as to his possible thinking about foreign policy comes from a comment he made during a campaign appearance. When questioned about the development of his views, he replied that the work of one of his history professors at Georgetown University, Dr. Carroll Quigley, had been a seminal influence on his thinking. If he took Professor Quigley's erudition to heart, there may be hope that he will explore more productive foreign policy avenues than have his predecessors. For Professor Quigley's 1966

work *Tragedy and Hope: A History of the World in Our Time*, which almost surely formed the basis for his courses while the President was his student, tends to be critical of both the elitist foreign policy establishment and globalist thinking in general.[4]

This may be a dim hope, however. Judging from the personnel the President since has appointed to conduct the affairs of state, it would appear that the same thinking that has muddled foreign policy during prior Administrations probably will hold sway in the Clinton State Department. The majority of Clinton foreign policy appointees appear to have been recruited from the Council on Foreign Relations group. From Secretary of State Warren Christopher on down, there are now so many familiar faces at Foggy Bottom from the CFR-Trilateral Commission-dominated Carter administration that it has been dubbed "Carter II."

Thus the new Administration would seem to face a familiar dilemma -- a hopeless choice between either an astonishingly naive or an appallingly cynical view of human affairs, neither of which appears to have gained, or can be expected to gain, much support from the American public. Indeed, inasmuch as Cold War foreign policy generally reflected a mix of the two views despite the State Department's ideological bias toward globalism, there apparently has been little, if any, practical preference for either view among those who actually do the business of state. The predictable result has been contusion and contempt abroad with respect to our aims and, as noted above, the weakening of domestic support for almost any involvement in foreign affairs. From an economic perspective, the predictable adverse consequences of the new State Department's notions of "fairness" are that they may play into the hands of special interests and produce a new wave of protectionism. In short, unless President Clinton himself influences policy in untried ways, we probably are in store for "more of the same." It need not be so.

A Behavioral Science Critique

From a behavioral science perspective, both of the above lines of thinking would seem to be irreparably flawed. As we have written extensively elsewhere, a principal requirement of inquiry into any human problem, including foreign affairs, is that analysis not be clouded by *a priori* assumptions about human behavior, the reliability of results obtained primarily through the development of theory without benefit of observation, or the certainty of any outcome.[5] Even the briefest reflection suggests that both globalism and realism fall to meet this basic requirement.

Insofar as globalist notions rely on unobserved but presumed characteristics of human behavior that are supposed to propel humanity toward some harmonious world community fashioned after the liberal democratic model, they fly in the face of human history, which chronicles not the durability but the fragility of all prior human civilizations. Indeed, an empirical assessment of our own situation indicates that, as AIER's founder E. C. Harwood observed 4 decades ago (in "The Counterrevolution," reprinted as Appendix B in this volume), the termination of the American experiment, which posits a civilization based on human freedom, is probable without a renewed commitment to the fundamental principles upon which the Nation was founded. From

this perspective, the globalist vision is a dangerous fantasy.

... And An Analogy from Economics

Realpolitik, on the other hand, might appear to be grounded in a more "scientific" approach to human behavior than that of the globalists. However, on close inspection its principal tenets are just as flawed. In brief, the successful conduct of a foreign policy based on theories of realism depends on the unwarranted assumption that foreign policy planners somehow can "manage" relations between nations in ways that achieve some presumed ideal outcome (*i.e.*, balance of power). It ought to come as no surprise that in practice, realpolitik has tended to be even more interventionist than globalist-directed policy.

The difficulties of knowing under a realpolitik regime either what the desirable balance between foreign powers might be -- or how best to manage it - may be made clearer by way of analogy to economics.^[6] In a number of respects, the situation of the practitioners of realpolitik is similar to that of central economic planners who seek to "fine tune" an economy through government intervention in business affairs. Such economic management presumes that some activities are more desirable than others, and that (in both the short and long run) a small group of elite policymakers will make better decisions than do the aggregate millions of market participants. Often, developing policy requires decisions about "proper" levels of activity (the economic "balance of power") and incentives or disincentives for any number of economic endeavors.

The record clearly has shown that the main result of such efforts in the economic realm has been to perpetuate inefficiencies and the misallocation of resources and to make eventual adjustments (*i.e.*, economic contractions) more severe than they otherwise would be. In the foreign policy arena the implication seems more ominous: instead of recessions or depressions, mistaken policy invites war.

In a broad sense, the problems introduced by globalism and realpolitik are inherent in all "top down" regimes that rely on some grand model, however elegantly constructed, as a basis for the conduct of policy. The formulation of an approach to foreign policy that meets the minimal requirements of behavioral science would seem to demand a reconsideration of such central planning and the abandonment of policy that is not grounded in observable human behavior. Foreign policy strategy might usefully follow the process of "incremental decisionmaking" developed by Thomas Sowell in *Knowledge and Decisions*^[7] Simply stated, incremental decisions distribute risks and permit the consequences of bad decisions to be minimized.

When applied to foreign affairs, incremental decisionmaking may imply vastly reduced expectations about the effectiveness of American initiatives in the rest of the world. But it does not necessarily imply isolationism. Our prosperity requires a relatively unrestricted international flow of goods and capital, and this circumstance alone requires that we maintain some sort of foreign relations. But those relations might be developed more effectively through the greater "privatization" of foreign policy -- that is, by requiring private entities to assume the risks of their international business dealings. This approach would, in practice, rely on incremental

decisionmaking.

"Friends of Liberty Everywhere, But Defenders of Our Own"

More fundamentally, however, such an approach requires a coherent view of the national interest, which often has been portrayed in the professional literature as a vague and possibly menacing (to "world unity") notion. A renewed understanding of our national interest in turn demands a broad understanding and appreciation of the principal tenets of American civilization, both of which seem lost to a large segment of American society. Indeed, relatively few apparently have any notion of how brief the American experiment with human freedom has been, how exceptional its successes, or how fragile its grip in the face of present circumstances.

There is nothing vague or menacing about our national interest: it resides in the protection and preservation of those institutions that were established by the Nation's governing documents and that have permitted the great revolution in human freedom to proceed and flourish here. This is, in fact, the only thing the President is charged with under his Oath of Office. What seems to have escaped many Americans is that these bulwarks of freedom now are threatened (as they have been for decades) by a broad counterrevolution within Western civilization. In the broadest sense, then, the pursuit of the national interest must begin at home through a redirection of effort toward creating a greater understanding of those fundamental goals enunciated in the Declaration of Independence, the Constitution of the United States, and, most especially, its Bill of Rights.

Decades ago, E. C. Harwood concluded "that the only sound foreign policy for the United States in the long run is to resume our former place in the vanguard of the great revolution, to press on toward the goals of more nearly complete individual freedom, and to encourage other nations to follow." He cautioned, however, that "we shall be ill-prepared for such a position of leadership until we have reoriented the policies that we apply at home." In this respect, he observed that "corrective action will be needed along at least three general lines. First, the distortion of and interference with free market relationships must be reduced as rapidly as possible and ultimately ended; second, all special privileges must be eliminated; and third, the activities of the Federal Government must be reduced to the role of national defense and prevention of license or abuse of freedom."^[8]

The corrective action required in all three areas now is much greater than when the above words first were penned. In our view, this alone is reason to observe more closely the maxim that as a nation we be "friends of liberty everywhere, but defenders of our own" -- especially at home.

NOTES

1. Irving Kristol, "Defining Our National Interest" (*The National Interest*, Fall 1990, pp. 16-25) is a useful

review of some of the ideologies that have shaped foreign policy since 1917. Kristol is founder and publisher of *The National Interest*, the principal foreign policy publication that is editorially critical of the dominant CFR-Trilateral Commission-State Department line of thinking found in such publications as *Foreign Affairs*. The above summary of globalism draws heavily from his discussion.

2. See Jeane J. Kirkpatrick, "A Normal Country in a Normal Time," *op. cit.*, pp.40-44.
3. Morgenthau is cited in Fareed Zakaria, "Is Realism Finished?," *The National Interest*, Winter 1992-93, p.22. Zakaria's article is a recent sophisticated explication and defense of realist views, and served as a basis for this summary.
4. See Carroll Quigley, *Tragedy and Hope: A History of the World in Our Time* (New York: The Macmillan Company, 1966), available in reprint from Angriff Press.
5. A full discussion of AIER's views on scientific inquiry is contained in *Useful Procedures of Inquiry*, by Rollo Handy and E. C. Harwood, available from AIER (price \$15, hardbound).
6. Reportedly, foreign policy strategy as developed under "realism" relies heavily on game and decision theory. For a discussion and critique of game and decision theory, see our publication *A Current Appraisal of the Behavioral Sciences* (price \$15, hardbound).
7. Thomas Sowell, *Knowledge and Decisions* (New York: Basic Books, 1980). This volume is crucial to understanding the fundamental difficulties with all central planning.
8. See Appendix B, "The Counterrevolution," pages 134-142.

XIX. Global Warming and Other Environmental Myths: The Economic Consequences of Fact vs. Media Perception (Appendix A, by Dixy Lee Ray)

An address delivered at the 1992 Progress Foundation International Economic Conference, "The Media and the Economy," in Zurich, Switzerland. Dr. Ray has been Governor of the State of Washington, an Assistant Secretary of State, and was a long-time faculty member of the Zoology Department at the University of Washington. She is currently Senior Scholar in the Department of Environmental Health and Safety at the University of Maryland. She also serves on the Board of the Washington Institute for Policy Studies and is a consultant to the National Laboratory and the Lawrence Livermore National Laboratory.

Dr. Ray holds a Ph.D. from Stanford University and 22 honorary degrees. Among her numerous other honors, she lists the United Nations Peace Prize and being named

"Woman of the Year" by the *Ladies Home Journal* in 1973.
Her latest book is *Trashing the Planet*, published by Regenerry
Gateway in 1990.

I believe in freedom. I believe in liberty. I believe that no one is so wise they can plan things for other people. And so, as we reach the end of the 20th century and as the 21st century approaches, I cannot help but reflect upon two different observations.

First -- looking back -- we in the Western industrialized nations have been privileged to live in a century of such progress in knowledge and in its use for the betterment of human society as has never before been experienced. From the vantage point of greater longevity, better health, expanded and more nutritious food supplies, large scale freedom from back breaking manual labor, the marvel of electronics, increased mobility, and unprecedented personal liberty, we appear to view it all as nothing more than a basic human right. Perhaps we should recall the words of Lord Chesterton, one of the great English writers of the past, who said at the beginning of the Industrial Age, and I quote, "We are perishing," he said, "for lack of Wonder, not for lack of wonders."

Second -- looking forward -- we seem not only to have lost a sense of wonder at human accomplishments but to accept the notion that all progress now must cease. It must stop because, according to some people, everything we have achieved has also caused too much damage to the earth. In the name of environmentalism we must change, they say, from a society that believes in progress to one that is dedicated to sustainability. Now it is by no means clear just what this condition of "sustainability" refers to, except that it is essentially a back-to-nature movement, and it is outspokenly anti-industrialization.

Mr. Maurice Strong, the head of the United Nations environmental programs, wrote, in August of 1991, "It is clear that current life-styles and consumption patterns of the affluent middle class, involving high meat intake [Mr. Strong is a vegetarian], consumption of large amounts of frozen and convenience foods, ownership of motor vehicles, small electrical appliances, home and work place air conditioning, and suburban housing, are not sustainable. A shift is necessary toward life-styles less geared to environmentally damaging consumptive patterns."

And earlier this year, Mr. Lester Brown, who is the president of an organization called World Watch Institute, said, "Building an environmentally sustainable future requires restricting the global economy, dramatically changing human reproductive behavior, and altering values and lifestyles. Doing all of this quickly requires nothing short of a revolution." Now all of that is a pretty big order, and I think that neither the "affluent middle class" to whom Maurice Strong refers or anyone else is going to like it very well! Remember, these two individuals are among the leadership of the much-publicized Earth Summit, which was held last June in Rio de Janeiro in Brazil, but their positions were not reported by the press despite the fact that more than 7,000 reporters were in attendance.

More about the Earth Summit later. For now, the question I want to discuss is this: are the so-called global environmental issues so serious that they demand revolutionary changes in our modern, Western, high-tech society -- changes that would have drastic economic consequences? Those environmentalists who are identified as "activists" -- the ones who are spokesmen and who have political clout -- maintain that, indeed, the following problems must be alleviated as soon as possible: 1) global warming; 2) ozone depletion; and 3) the size of the human population. Are they correct in their position?

Global Warming

Nearly everyone believes that the earth is heating up. Is it? Probably not -- at least there is no evidence that it is. Why then do so many believe in global warming? Because everybody says so. And that is the only position that is widely reported. Further, although there has been considerable coverage of the predicted consequences of climate changes, such things as harmful effects upon agriculture, the melting of polar ice caps, which will flood coastal areas and low lying islands, there has been little, if any, analysis of the economic consequences of proposed solutions.

Publicity has also been given to the assumption that the presumed climate change is caused by increased carbon dioxide in the atmosphere and that this in turn has been caused by burning fossil fuels in industrialized societies. But almost no attention, or very little, has been given to the possible causes other than humans using fossil fuels. The press itself has become an advocate for one answer to the question. Now all of this is pretty heady stuff. That is to say, the charges make good headlines. The only problem is, everything in the generally publicized situation is based upon assumptions, upon theory, upon computer models and computer simulations. What in fact are the facts?

Temperature records taken in North America and Western Europe over the past 150 years show many ups and downs but no clear trend either toward warming or toward cooling. This is also borne out by analysis of 135 years of recorded temperatures of the sea surface taken by ships and ships' personnel. And, more recently, satellite data recording 24 hours of temperature readings from all over the globe reveal, at most, there has been a possible 0.30 centigrade temperature rise during 13 years, that is 1978 to 1991, of continuous satellite temperatures. Now, 0.30 centigrade is hardly anything anyone can perceive without very special instruments. Were the global warming-greenhouse theory borne out in nature, we should have experienced an increase from between 20 and 40 centigrade during the past 200 years. But this has not happened.

Historical data also remind us that the earth passes through warm phases and cold ones. The medieval period, for example, was warm. It was followed by the so-called "little ice age," which lasted until about 1850 and from which the northern hemisphere is probably still recovering. On a longer time scale, we cannot overlook the fact that there have been ice ages and there have been warm periods in between. In fact, if we look at the entire history of the earth for as far back as we know it has existed, about 80 percent of the time the northern hemisphere has been covered with ice, and we live in a most unique period of somewhat warmer temperatures.

Climate changes, both large and small, tend to be cyclic and they are likely related to changes in the sun itself, where in fact all climate starts, and its cycles of sunspots and solar flares.

Two Danish scientists, E. Friis-Christensen and K. Lassen, reported last year that there is a clear parallel between the 11-year sunspot cycle and ocean temperatures, which have been measured in the northern latitudes as part of a harbor ice observation for the last 130 years.

And in April of this year, Dr. Robert E. Stevenson, who is Secretary-General of the International Association for the Physical Sciences of the Ocean, reported, "Mean sea level has not changed in the past century (which puts the lie to the ecologist's argument that global warming is melting ice and the polar caps), atmospheric temperatures though having up and down cycles, have not established a trend in either direction." No measurement that has been taken and recorded in the past 200 years has been outside normal variations.

Finally, when even the best of the global climate computer models is tested against the weather of the past few decades -- where we know, indeed, what has happened -- they don't fit! The very best ones, from the National Center for Atmospheric Research at Boulder, Colorado, predict that as much rain falls in the Sahara Desert as in Ireland. Anybody who would believe that needs to have some second thoughts. But anyone who watches the daily weather forecasts on the evening television programs knows that with the very best and most expensive computer technology available it is still not possible to predict, accurately and consistently, what the weather is going to be 5 days in advance. Why, then, should anybody believe that they can predict what's going to happen in 5 years, or 50 years, or 150 years?

Even so, the media do not report these contrary data, not even when more than 50 of the outstanding and leading atmospheric scientists in the United States signed a statement -- a petition, if you will -- saying that the global warming theory is "highly uncertain" and that it is "... based upon unsupported assumptions that catastrophic global warming follows from the burning of fossil fuels and requires immediate action." They ended their petition with this simple sentence: "We do not agree."

Now this statement is especially important since the nations that were present at the Earth Summit (and there were 178 in all) have already signed an international agreement to limit the production of carbon dioxide to 1990 levels. The consequence of this action is predominately economic. According to a study by the environment ministers of the European Community, it means that to limit carbon dioxide emissions to 1990 levels will require that coal prices jump 58 percent, heavy oil for industry 45 percent, natural gas for industry 34 percent. Heating oil for homes and offices would jump 16 percent, natural gas for home heating 16 percent, diesel fuel would climb 11 percent and gasoline prices 6 percent. These estimates are probably conservative. Industry sources maintain that the agreements already reached will probably cause a tripling in overall fuel prices.

In the United States, a reduction of carbon dioxide emissions to 1990 levels will require a carbon tax of \$200 per ton of CO₂ produced. This translates into a tax of \$150 per ton of coal burned, \$38 tax per barrel of oil and \$1.78 tax per 1,000 cubic feet of natural gas. To date, neither

economists nor the press has shown any interest in the consequences of such price increases. And according to Maurice Strong these costs could run as high as \$600 billion per year to the industrialized nations.

Considering the lack of evidence to support the theory of global warming, coupled with the facts that 1) if global warming should occur, it is not carbon dioxide that is the important greenhouse gas anyhow, rather it is water vapor. It is water vapor and clouds that would account for 98 percent of the effect, and 2) carbon dioxide is not an air pollutant. It is produced whenever any kind of organic material is burned or oxidized and, more than that, it is absolutely necessary as a nutrient for all green growing plants. The plant world is the only source of oxygen on which all of us depend to stay alive. Carbon dioxide has a positive benefit for green plants -- the more of it that is in the atmosphere, the better they like it. If the amount of carbon dioxide in the atmosphere should double, and this has been done experimentally by controlling the atmospheres in which plants grow, it results in a 30 percent increase in growth and in harvest yield. But the public never hears about this. Well, so much for global warming.

Ozone Depletion

The facts about ozone are these:

- Solar radiation strikes the stratosphere -- that is the area above the atmosphere -- with its ultraviolet (UV) component it splits oxygen molecules, which then combine to form ozone. The UV energy is absorbed in this process, and consequently does not, therefore, penetrate to the surface of the earth.
- Ozone molecules are relatively unstable and under conditions of extremely low temperature, the formation of ice crystals, or the presence of chloride or nitrogen ions, the ozone will undergo chemical reaction, that is to say, the ozone will be destroyed. The formation and the breakdown of ozone occurs continuously, in amounts of about a billion tons or so every second. The amount of ozone present at any one time is the result of the balance between its formation by absorbing UV light and its destruction due to natural forces. Natural fluctuations in the amount of ozone are as much as 40 percent from day to day and, occasionally, very much more.
- Any reduction of ozone in the stratosphere of 50 percent or more is, by convention, called a "hole." There never is an opening, or a place where ozone isn't -- it's just if that much is removed then it is called a hole. The unique conditions that occur at the south pole at the end of the antarctic winter result in the fact of 50 percent depletion or more almost every season. This situation lasts for from 3 to 5 weeks and then it is reconstituted. There is no such thing as a permanent loss of ozone. This phenomenon was discovered by Dr. Reginald Dobson in 1956 and 1957, long before chlorofluorocarbons (CFCs) were in common use. But the widely accepted theory today holds that the CFCs are responsible for this event, which, may I emphasize again, preceded their use. The

extent of the so-called antarctic ozone "hole" varies from year to year and is related to the length of the solar sunspot cycle.

- In 1961 there was a dramatic decrease in the amount of ozone in the stratosphere (nobody knows why that happened) and until 1970 it was on the increase, with the greatest amount of ozone ever measured occurring in 1979, and then it started decreasing again, until about 1986 when it reached a low point, and now is increasing once more.

None of these data -- none of these actual measurements -- supports the theory that CFCs destroy ozone. Nonetheless, the theory that CFCs are responsible for serious and, it is implied, permanent, destruction of the ozone layer in the stratosphere is perpetuated by the media. Not reported is the fact that actual measurements, taken since 1974, show that the amount of UV radiation reaching the surface of the earth is and continues to be decreasing slightly -- not increasing as it would be if there were less ozone present in the stratosphere.

Now all of this would be merely of academic interest to scientists were it not for the association of UV exposure to the development of skin cancer. Scare stories about increased UV radiation have unduly frightened people because of what the press has not reported. That is, that slight increases in UV penetration related to the variations in ozone concentrations are far, far, far less than normal variations that people experience because of differences in geography. The plain fact is that, normally and naturally, there is more UV penetration at the equator than at the north or south poles.

If a person moves, say, from an area nearer either one of the polar areas toward the equator, by the time he reaches the equator his UV-light exposure will increase 5,000 percent! People from England or from Scandinavia who move to Northern Australia increase their exposure 600 percent. For every six miles closer to the equator that anyone goes, it increases his UV exposure by 1 percent. I have not heard of anyone turning down a vacation on the French Riviera, or a trip to the South Seas, or any such thing, because of fear of increased UV exposure. There is also an increase in UV concentration for every 100 feet of elevation; but this does not prevent people from living at high elevations, or even living in a country like Switzerland, nor does it prevent people from climbing mountains. The human body is accustomed to these kinds of variations and we all know that.

Furthermore, the press has been negligent in not pointing out that there are three different kinds of skin cancer, only one of which has a high mortality. Common skin cancers are curable in 99 percent of the cases. Only malignant melanoma is the fatal type and it does not appear, despite enormous numbers of studies, that malignant melanoma has any kind of causal relationship with UV exposure. Despite these realities, the production and use of CFCs has been banned by an international treaty known as the Montreal Protocol -- signed in 1987, and revised in 1990 to make it even tougher and the penalties for using CFCs more severe. Even the chief negotiators for this treaty admit that a scientific basis for it does not exist.

What are the consequences of a ban, which will be total by the year 1995? Simply this: the most important of the CFCs is a substance known in the commercial trade as freon, and freon is used

in hundreds of millions of refrigerators and air conditioning units, both domestic and commercial. Our entire food distribution, transportation, and delivery system depends upon refrigeration, as does the protection of medicinals, materials for inoculations and blood supplies. Another CFC that has important economic use is the group known as the halons -- materials that are essential in fire fighting, particularly for electrical fires or fires that occur in close confinement, like in airplanes or on board ships. Loss of their use has been calculated to cost the Western nations anywhere from \$3 to \$5 trillion dollars. That sum should attract somebody's attention, but so far it hasn't.

The only segments of the economy to benefit from the ban of CFCs are the large chemical corporations who hope to sell substitutes. The substitute for freon, which is now being manufactured by DuPont, will cost ten times more. It is a substance that is less efficient than freon and it is so corrosive that it will require the complete redesign and reengineering of all existing refrigeration and air conditioning units. The media do not report these realities, nor has the community of economists expressed any concern for the unnecessary and very heavy financial burden that phasing out CFCs will cost.

Human Population

Population control is very high on the environmentalist agenda. One of their prominent spokesmen, Dr. Garrett Hardin, recently wrote, "It is a mistake to think that we can control the greed of mankind in the long run by an appeal to conscience.... The only way we can cherish and nurture other and more precise and precious freedoms is by relinquishing the freedom to breed, and doing that very soon." Garrett Hardin, by the way, has four children.

What nonsense. Mr. Hardin, Mr. David Brower, who is the founder of the group known as Friends of the Earth, and Paul Ehrlich, a Stanford University professor (who is in fact a butterfly specialist), recommend forced sterilization of all adults not chosen for producing children. They seldom put it in those stark words, but that is exactly what they are talking about -- and what they fail to understand is this, that whenever a nation, whenever a society's economic condition improves, its birth rate falls. That has been proved over and over again.

Who is to say how many human beings are too many? Or which ones ought to be eliminated? The approximately 5-1/2 billion humans today alive on the surface of the earth live on no more than 16 percent of the land surface. If we could transport all of them to one place, they would fit inside the state of Arkansas, in the United States, with 10 square feet assigned to every single one. That would leave, for the rest of the world, plenty of space for nature, and growing food, and whatever else one wants to do. Because of our growing knowledge, natural resources, whether they are forests or minerals, are more abundant and more available today at lower cost than at any time in the past. And yet the Earth Summit Conference was based on the premise, the false premise, that natural resources are being depleted.

The Earth Summit's Socialist Agenda

An important document called the Heidelberg Appeal was signed by hundreds of scientists worldwide and issued on the 1st of June. It has been, with the exception, at least to my knowledge, with the single exception of *The Wall Street Journal*, totally ignored by the media. The Appeal states, in part, "... We are worried, at the dawn of the 21st century, at the emergence of an irrational ideology which is opposed to scientific and industrial progress and which implies that economic and social progress should not continue. We contend that a 'Natural State,' sometimes idealized by movements with a tendency to look toward the past, does not exist and probably never has existed since man's first appearance in the biosphere, and insofar as humanity has always progressed by increasingly harnessing Nature to its needs and not the reverse." But this does not reflect the theme of the Earth Summit, which is embodied in the so-called Agenda 21, which was adopted by the 178 nations present in Brazil without any fanfare on the last day of the conference.

Now Agenda 21 deserves study. It consists of 115 different and very specific programs designed to facilitate, or to force, the transition to "sustainable development." The objective, clearly enunciated by the leaders of the conference, is to bring about a change in the present system of independent nations. The future is to be World Government with central planning by the United Nations.

Fear of environmental crises, whether such crises are real or contrived, is expected to lead to total compliance. If force is needed, it is to be provided by a new U.N. Green Helmeted police force recommended to be 500,000 men. Already the U.N. Security Council has expanded the definition of their charter to "threats to peace and security" to include "non-military sources of instability in the economic, social, humanitarian and ecological fields." That constitutes a very broad charter for intervention.

As Michel Rocard, the former Prime Minister of France and a leader at the Earth Summit, said, "Let us not deceive ourselves. It is necessary that the community of nations exert pressure, even using coercion, against countries that have installations that threaten the environment. International instruments must be transformed into instruments of coercion, of sanctions, of boycotts, and even outright confiscation."

In a stunning acknowledgment, also totally overlooked by the press, the Norwegian Prime Minister and vice chairman of Earth Summit, Gro Harlem Brundtland, publicly stated at a press conference that much of the agenda of the Earth Summit was derived from the goals of the Socialist International Party, of which he is, incidentally, vice president. One would have thought that such an admission was newsworthy; surely a socialist agenda should interest economists.

Human-caused environmental problems such as waste management and pollution are amenable to solution and great strides have already been made. But so-called environmental issues like climate change and the destruction of ozone are natural phenomena. The charges and accusations relating to them are not based upon scientific knowledge. It is the economic results of ill-advised, hasty, and costly solutions for problems that may not even exist that pose significant risks for

modern society. Only if these realities are publicized can we maintain a healthy economy.

Only if we maintain a strong economy, can we also protect our freedom. "When one loses one's liberty one is correct to blame, not so much the man who puts the fetters on -- as he who had the power to prevent it but did not use it." Who said that? It was the Corinthian representative to Sparta -- and the year was 426 B.C. It is still true today -- and it is the profession of economics that bears the heavy burden of explaining to the public at large what are the extraordinary costs of embracing, without healthy skepticism, the agendas of extreme environmentalism. There are still some issues that are worth fighting for - and liberty through progress is one of them.

Dixy Lee Ray's views were controversial and were responded to by others in the scientific community. A website established by James Norton contains a section headed Correcting myths from Dixy Lee Ray the objective reader ought to consider. One scientist, Robert Parson, prepared a detailed critique of the evidence provided in Ray's 1993 book, *Environmental Overkill*.

XX. The Counterrevolution Appendix B, by E.C. Harwood

Current wisdom seems to hold that the collapse of communist rule and disintegration of the Soviet Union represented a final triumph of Western political and economic democracy. In our view, however, the survival of the attributes of Western civilization that have contributed most to human progress is today gravely imperiled. Almost 40 years ago, AJER's founder, E. C. Harwood, warned in the article reprinted below that in whatever guise they may appear, the forces of counterrevolution pose the greatest threat to advances in human welfare. In reference to the then-ruler of the Soviet Union (Stalin), he observed: "Regardless of what happens to him or to Russia in the next several years, the long-run problem of the counterrevolution will remain." That problem has remained and continues to remain. Some of the specific events to which his discussion refers are now long-distant -- and some of his phraseology may appear dated (e.g., "men and women" or "humans" would today replace his use of "men"). Even so, his discussion remains as pertinent today as it was when he wrote it. Indeed, given the subsequent successes of the counterrevolution, it is a message that must not be ignored. -- Ed.

The struggle against communism is not an attempt either to destroy Russia or to preserve the United States; it is not merely another of the numerous rivalries between nations that have crowded the pages of history. The struggle against communism is a crucial one for the survival of Western civilization. Whether this struggle will mark the decline and fall of Western civilization or will set the stage for a new, great advance comparable to that of recent centuries remains to be seen.

Because this is not merely a struggle between jealous or greedy monarchs nor solely a war for empire and trade nor a religious war between ignorant and intolerant tribesmen, we must seek below the surface and behind events of the day for the fundamental causes of the conflict within Western civilization. At least briefly we must sketch the outline of developments on a broad front and in the perspective of recent centuries.

Several hundred years ago Western civilization consisted of many vast feudal estates, innumerable peasant holdings of small farms, uncounted villages and towns, and a few cities, small by today's standards. For the most part, men lived as their fathers and grandfathers before them had lived; folklore and superstition were generally considered the intellectual keys to understanding, and scientific knowledge as we think of it today was almost unheard of; class distinctions were rigid in many parts of the civilized world; village industry was controlled by the guilds and other authorities; progress was not generally expected and often was not tolerated; most men were slaves, seemingly held in perpetual bondage by custom, fear, ignorance, and superstition.

Nevertheless, within that civilization an idea began to find increasing acceptance. In a word, this was the idea that individuals might be free; but its scope developed gradually, and even today we are not sure that we grasp its full implications. Men are free to the extent that the culture or society in which they live permits them to plan and choose their goals, provides equality of opportunity to act effectively in pursuit of those goals, and permits them to retain the fruits of their labors. Throughout this discussion we shall use the word freedom as a blanket label for these circumstances and such others as may be necessary to constitute optimum conditions for the economic welfare of men in society. We realize that such use of a term is loose characterization rather than scientifically accurate specification or naming, but it will serve the purpose here.

Aided by many circumstances that need not be described in detail, this idea of freedom found more and more disciples. It attributed worth and dignity to the individual man; and, as men gradually and almost reluctantly accepted this new idea, they likewise accepted many increased responsibilities that fostered individual growth in countless ways.

Intellectual freedom opened new frontiers of science. As a result, technological progress rose like a giant from sleep to aid the wealth-producing activities of men. Here in America circumstances were most propitious for a civilization based on the idea of freedom. The results we are familiar with; but the magnitude of them sometimes is overlooked, because to us they have become commonplace.

Freedom found acceptance in parts of Europe also. Major social changes marked its advent, and

great material progress was one result. However, in much of that area this great revolution never was so successful as it was in the United States.

Even here in the United States, however, complete freedom was not reached. Conditions here differed greatly in many respects from those in the Old World; but we now realize that various laws and customs that were carried over from the Old World had the effect of denying freedom, at least in some degree, to many of the people of our own Nation.

The results of imperfect or partial freedom were disappointing to many. Great material progress came, but the greatly increased production of wealth was not equitably distributed to those who produced it. As a result, 12- and 14-hour days for women and children were common in the factories of England, more extensive and more degrading poverty pervaded the slums of Europe, and urban and rural slums developed in the United States.

So striking did the increasing maldistribution of wealth become that many men abandoned the battle for freedom and turned back; thus the counterrevolution within Western civilization was born. For the past hundred years the counterrevolution has been gaining strength. Its basic ideas were developed earlier by the Utopian Socialists and were organized as counterrevolutionary doctrine by Karl Marx and his followers. These ideas are the roots from which modern communism, socialism, fascism, the New Deal, and the welfare state all have grown.

In Russia the counterrevolution has reached the apparently inevitable goal; a new despotism has replaced the old. In this fact there is a lesson for all who desire to learn it. Marx and Engels predicted success for communism (the militant branch of socialism) first in the great industrialized nations where they expected the proletariat to unite and cast off its chains. But communism succeeded first, not in the more advanced industrial nations, but in Russia, where the progress of the great revolution had been retarded. The reason is not difficult to understand. The counterrevolution is fundamentally a retreat from individual freedom, from responsibility and authority for each individual, to the sheltering arms of an all-powerful state. Naturally, communism succeeded first where the progress of the great revolution had been least; and it still achieves success most readily in the backward nations of the world, where the substitution of a new despotism for the old is relatively easy.

The Source of Communism's Strength

The fact that communism succeeded first in Russia and that it gains ground most rapidly in the more backward nations of the world should not be permitted to encourage a false sense of security. The basic principles of communism have been widely accepted; and the counterrevolution has gained strength during the past century in nearly all nations of Western civilization, including our own. In order to grasp the significance of these gains, we must first understand the source of the strength of communism.

Although the hopes it offers are known by many to be illusory and although its promises are vain, communism derives its strength from those who, because of the inequitable distribution of

incomes, have become the underprivileged of all lands. What other hope have those who are denied a substantial part of the fruits of their labor (in order that the perquisites of the privileged may be preserved) than that someone will somehow redistribute currently produced wealth in accordance with men's needs? The Marxian slogan, "From each according to his abilities; to each according to his needs," offers to the poor a hope comparable to the hope of a better world offered by many religions. Communism has the added advantage of promising to provide in this world now or in the immediate future what some religions offer only in the next world at some future time.

The strength of communism's appeal results from its promise to eliminate special privilege for the few and the inevitably corresponding inequality of opportunity and obvious inequity of reward for the many. Communism has grown in strength as special privilege has grown; the farther the nations of Western civilization have departed from equality of opportunity, one ingredient of freedom, the more they have drifted toward communism.

Fascism often is discussed as though it were the opposite of communism, but such is not precisely the case. Hitler, Mussolini, and Stalin were different in many respects; but the principles of their economic ideologies were the principles of socialism; their initial appeal was to the underprivileged; and the final result, a new despotism, was the same in all three instances.

In view of the foregoing, we may summarize the present situation somewhat as follows: Western civilization as we know it today is the outcome of a great revolution that followed the acceptance of new ideas and that accompanied the progress toward individual freedom including equality of opportunity and economic justice[1] for all men. However, virtually complete freedom as herein described has not yet been reached except in relatively small areas of the world and even there only for brief periods.

Perhaps primarily because we of this civilization have stopped short of the goal, the results have in part been an inequitable distribution of currently produced wealth. In the minds of many, not even the material progress made possible by the great revolution can offset results that seem so evil. Either not realizing that the goal had never been reached or not understanding that the evils they deplored were attributable to imperfect freedom, many leaders in thought and action sought to turn back; thus the counterrevolution was born.

The counterrevolution is in progress throughout the world. It is clearly recognized as communism; but fascism, various Socialist governments, the New Deal, and the welfare state all have grown from the same roots.

Such is the situation at this point of the 20th century. American foreign policy, if it is to be successful in the long run, must cope with the counterrevolution in Western civilization.

Lesson of the Immediate Past

Before proceeding to a discussion of American foreign policy, a brief review of recent

developments will be helpful. A valuable lesson can be learned from mistakes of the recent past.

Germany and Russia were enemies in World War II, not because their ideologies differed, but because there was not room on the same continent for their ambitious rulers. We were allied with Russia not because Russia was one of the democracies fighting for freedom, but because Russia happened to be fighting Germany and could be induced to fight Japan.

However, Americans are sometimes thought by their political leaders to be squeamish and unwilling to face the facts of life. Consequently, the wartime administration sought to "sell" the American people the notion that Stalin was a respectable companion in arms. They were not content to use him to the extent that he was useful, while keeping in mind that he was the leader of the counterrevolution threatening Western civilization; they insisted on adopting Russia into the family of peace-loving nations. In their preoccupation with winning World War II, the Nation's leaders apparently closed their eyes to the important long-term developments that have been described here.

Our foreign policy during and immediately after World War II was a series of blunders precisely because we dealt with successive short-term situations as though there were no long-run fundamental conflicts of aims or as though we were blind to other than immediate pressing developments. Such was our major error, and the lesson should not be forgotten.

Prior to World War II, American foreign policy had to cope with two classes of potential enemies. The first included Germany and Japan as potential enemies for the same reason, ambition for power, that nations have so often been enemies throughout history. The other class of potential enemies may be roughly designated Communists or, to be more specific, the counterrevolutionary elements within Western civilization.

Fortunately, the problem of formulating an adequate foreign policy is simplified in some respects by the fact that, in coping with Russia as our only potential enemy of substantial strength in the first class (having a ruler whose ambitions for more territory and power make him a potential enemy), we shall be coping to some extent with the worldwide counterrevolutionary movement.

On the other hand, the situation is complicated by the fact that, in choosing a foreign policy intended to cope with Russia's ambitions for more territory and power, we may erroneously assume that the long-run problem of the counterrevolution is automatically solved merely because we associate the long-run problem also with Russia. Actually, the ruler of Russia is not the long-run problem; he is merely its temporary figurehead or symbol. Regardless of what happens to him or to Russia in the next several years, the long-run problem of the counterrevolution will remain.

What Can Be Done About Counterrevolution?

We now come to the question, "How can the foreign policy of one nation deal with counterrevolution within a civilization?" A nation faced with such a counterrevolution must

choose one of three courses.

The first possible course is to join the counterrevolution. To a far greater extent than many people realize, the United States already has chosen this course. Many internal policies, especially (but not by any means solely) some of those adopted in the past 3 decades, conform to the principles advocated by the counterrevolutionists. In our foreign policies also we have not hesitated to give extensive financial aid to the political parties in control of various governments that are aiding and abetting the counterrevolution.

It should be apparent that the first possible course, which we have already chosen in part, will be self-defeating in the long run. If we encourage the counterrevolution in other nations and yield to its wiles at home, we shall end by joining wholeheartedly, while Western civilization declines and falls as others have done before.

The second possible course is to attempt to preserve the status quo, that is, neither to press on with the original revolution nor to join the counterrevolution. This apparently was an objective of the Truman policy. Although the Truman policy appeared to be somewhat inconsistent for several months, including as it did the extension of military aid to Greece and Turkey and the denial of military aid to Nationalist China and Korea, subsequent actions and announcements indicated that the policy had become firm. In essence it appeared to contemplate preservation of the status quo as of June 1950 indefinitely.

This second course, preserving the status quo, would seem to us impossible if we may legitimately deduce from history something other than that men never learn from history. And, aside from the lessons of history, we know that the conditions in which communism is rooted and from which it derives its strength have become increasingly favorable to communism; this trend seems destined to continue unless progress toward the goals of the great revolution is resumed. Preserving the status quo would become increasingly costly and increasingly difficult as the years pass. Such a policy is only a slower, not a less certain, road to destruction in the long run than the first possible course.

The third possible course is to oppose communism, but what effective means are there for opposing communism? An answer is not difficult to find if one remembers that communism is the ideology of the counterrevolution. Only if Western civilization presses on toward the goals of the great revolution will the circumstances that have fostered the counterrevolution be changed. Only as the source of its strength is reduced and finally eliminated will the counterrevolution be weakened and finally defeated in the long run.

Only the third course, to oppose communism by pressing on toward the goals of the great revolution within Western civilization, appears to be a practicable means of coping with the counterrevolution.

Fortunately, no other great nation is as well prepared as our own to undertake this task. In order to reorient our aim, we should study again the Declaration of Independence, the Constitution of the United States, the writings of Jefferson, and other documents, such as Lincoln's emancipation address, that have described the goals we once sought so eagerly. Then, we must ascertain why

the goals have not been reached, why inequality of opportunity and an inequitable distribution of currently produced wealth became so marked even in the United States as well as in the rest of Western civilization. Only then shall we be in a position to correct the fundamental errors in our procedure that have delayed progress toward the goals of the great revolution.

The United States has become a great nation, a tower of industrial strength in Western civilization, primarily because the goals of the great revolution were more nearly approached here than they were in Europe. In the greater material progress here in the United States, we have all around us tangible evidence that should more than justify the faith needed to press on. Surely we of all peoples of the world should know that freedom for the individual (not merely freedom from outside domination for a nation), equality of opportunity, and economic justice are among the important goals to be sought.

We have concluded that the only sound foreign policy for the United States in the long run is to resume our former place in the vanguard of the great revolution, to press on toward the goals of more nearly complete individual freedom, and to encourage other nations to follow. However, we shall be ill-prepared for such a position of leadership until we have reoriented the policies that we apply at home.

Too long have we yielded to the urgings of those who have joined the counterrevolution. Alger Hiss and others like him may not be traitors in the ordinary sense of the word, implying betrayal of their country in order to give advantage to a foreign enemy; perhaps they are merely miseducated men whose good intentions have led them to join the counterrevolution within Western civilization. We shall underestimate the potential danger if we fail to realize that such men are not misanthropic freaks but the legitimate products of some of the Nation's leading educational institutions.

Domestic Policy

Coping with the counterrevolution at home will not be easy. In order to regain the road toward the goals of the great revolution, we shall have to retrace some steps taken in recent years and turn aside from other goals toward which considerable progress has been made.

Specifically, corrective action will be needed along at least three general lines. First, the distortion of and interference with free market relationships must be reduced as rapidly as possible and ultimately ended; second, all special privileges must be eliminated; and, third, the activities of the Federal Government must be reduced to the role of national defense and prevention of license or abuse of freedom.

Restoration of free markets is essential if progress is to be made toward the goals of the great revolution. If men are to choose wisely among possible economic alternatives, they must be free to buy and sell at prices agreed upon among themselves without government intervention, subsidies, or controls; they must be free to select, hold, and exchange the money or standard of value that they deem most suitable for the purpose (with men's customs and views as they are,

the gold standard must be restored); and such abuses of the monetary system as inflation must be eliminated. For more than 4 decades Government intervention and "management" of the Nation's money-credit mechanism have resulted in progressively greater distortions and more extreme interference with free markets. The counter-revolutionists throughout the world have long regarded inflation as their most potent weapon; and events in Russia, Germany, France, and elsewhere have confirmed their judgment.

Holders of special privileges, especially those related to monopolies of natural resources (including land), under existing customs and laws acquire, at the expense of the producers, an expanding portion of the wealth currently produced. This situation results in increasing the number of underprivileged members at the base of society from whom communism derives its voting strength (but not, of course, its intellectual "front"), and it diverts from producers some of the means that could be used to increase production. Because the situation in this respect is more acute in various other countries, for example Italy, many observers see the problem there more clearly. Nevertheless, this problem is evident here in the United States and seems destined to become far more acute as the temporarily stimulating effects of prolonged inflation diminish.

Reduction of the role of the Federal Government to national defense and to the function of umpire for the purpose of preventing license or abuse of the principles of freedom is essential to the efficiency of the Government in performing its primary functions. United States Senators, who should have time for analysis and study of important policy matters such as those described here, spend their valuable time bickering over price-support levels for peanuts and innumerable other trivialities that have become the day-to-day business of an elephantine bureaucracy. A republic need not be as inefficient as a totalitarian form of government that attempts to control all economic activities; but, if we continue adding to the functions of our Federal Government as we have during recent decades, the fundamental efficiency of free men functioning in free markets will be replaced by the lumbering and creaking performance of a vast bureaucracy. We shall then be as inefficient as our totalitarian enemies.

NOTES

1. Economic justice refers to the third part of the definition of freedom previously given. Men who are free to plan and choose their goals and who enjoy equality of opportunities to seek their goals may be said to receive economic justice if they are permitted to retain the fruits of their labors.