

Flashback

To know nothing of what happened before you were born
is to remain ever a child—Cicero

Meet Warren Buffett's Daddy

Warren Buffett, the legendary investor whose taste for hamburgers and life in Omaha, Nebraska gives him a reputation for Middle American eccentricity in the world of high finance, is just another colorless gray-pinstriper when compared with his father: Rep. Howard Buffett (R-NE), who half a century ago was perhaps the most radical and principled Republican member of Congress.

The Buffetts were pillars of Omaha. Howard Buffett was a stockbroker, "gentle and sweet-natured," in the words of Warren's biographer Roger Lowenstein. His politics, though, were to "the right of God," cracked one local banker.

Buffett was elected to Congress in 1942 with a pledge to keep FDR from "fasten[ing] the chains of political servitude around America's neck." He marked himself an oddball by returning a pay raise to the Treasury and by subjecting each piece of legislation to a simple test: "Will this add to, or subtract from, human liberty?"

Very few House bills passed Howard Buffett's test.

In four non-consecutive terms representing Omaha in the U.S. House of Representatives, the radical backbench Republican compiled an almost purely libertarian record. He opposed whatever New Deal alphabet-soup agencies and Fair Deal bureaucracies emerged from the black lagoon of the Potomac. As the historian Joseph Stromberg has written, "the only [current] member of Congress who bears comparison with Buffett is Ron Paul," the Texas Republi-

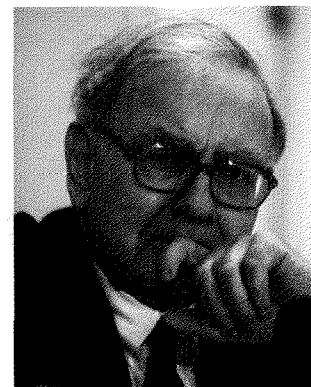
can and courageous naysayer.

Buffett was also a strict isolationist, denouncing NATO, conscription, the Marshall Plan ("Operation Rathole"), and the incipient Cold War, which he believed would enchain Americans in "the shackles of regimentation and coercion...in the name of stopping communism."

Foreign aid was a Buffett bugaboo. The story is told that as the family drove past the British Embassy late one night, Howard, seeing the lights still on, quipped, "They even stay up late to think of ways to get our money."

Buffett summed up his views of America and the world in a speech on the House floor condemning the Truman Doctrine: "Even if it were desirable, America is not strong enough to police the world by military force. If that attempt is made, the blessings of liberty will be replaced by tyranny and coercion at home. Our Christian ideals cannot be exported to other lands by dollars and guns. Persuasion and example are the methods taught by the Carpenter of Nazareth, and if we believe in Christianity we should try to advance our ideals by his methods. We cannot practice might and force abroad and retain freedom at home. We cannot talk world cooperation and practice power politics."

Dissent must be its own reward; seldom does it bring promotion. Howard Buffett retired from politics after losing the 1954 Republican Senate nomination to Roman Hruska, who would achieve immortality in 1970, when he defended Nixon's doomed Supreme Court nomi-



Warren Buffett

nee G. Harrold Carswell from charges of "mediocrity" with the immortal effusion, "Even if he were mediocre, there are a lot of mediocre judges and people and lawyers. They are entitled to a little representation, aren't they?"

Even his critics conceded that Howard Buffett was no mediocrity. To *The Nation*, he was "an able young man whose ideas have tragically fossilized." In retirement, he had the good fortune to befriend an energetic young economist named Murray Rothbard, who would in time become the Happy Warrior of the libertarian movement. For years, Rothbard touted the wisdom of Howard, the Buffett who was neither billionaire nor beachbum wasting away again in Margaritaville.

Congressman Buffett's son, while revering Pop as a tower of integrity and honesty, seems not to have inherited the old man's libertarian streak. Warren Buffett is a liberal Democrat whose favorite political causes are legalized abortion and population control.

But surely the father bequeathed the son a confident contrariety, for if Warren Buffett lacks Howard Buffett's politics, he shares his disdain for the eastern citadels of commerce and power, choosing to live in his hometown of Omaha: a radically decentralist act of which Rep. Buffett would have heartily approved.

—Bill Kauffman



Global Self-Interest

Allan Meltzer, a professor at Carnegie Mellon University and a visiting scholar at AEI, is the Institute's leading scholar on monetary policy, economic history, and international financial institutions. In February he received AEI's highest honor, the Irving Kristol Award. In his address, Meltzer focused on creating a "pax americana" based on the stabilizing influence of free trade and better-managed international financial institutions, as well as democracy and military strength. He spoke with TAE senior editor Eli Lehrer and freelance writer Mark Hemingway in Washington, D.C.

TAE: Multi-nation agreements like NAFTA have advantages when it comes to freeing trade and improving economies, but can cut into national sovereignty. Where do you draw the line between national interests and the global interest?

MELTZER: An international economy needs to gather interests in a harmonious way, not subvert national interests to global interests. For a nation-state to prosper, you have to protect people who are traveling and trading. This allows the market system to form, develop, and grow. In the nineteenth century, if you had a trade disagreement you sent gunboats. Now you send lawyers. It may not be great, but it is better. It's true that international agreements require that we give up some sovereignty. But we should give up only the amount of sovereignty that we want to give up! Do we want the tax laws for the United States to be made in Europe by a non-elected government in Brussels, or by the WTO, rather than

by the Congress of the United States or the state legislatures?

TAE: How do you rate the Bush administration's record on trade and international economic development?

MELTZER: They've done quite well on economic development. They've really made an effort to reform the grant and loan-making apparatus to introduce much more incentive and much less command and control. On trade, the progress is mixed. We have new free trade agreements with Singapore and Chile, but at the same time the administration puts tariffs on steel.

TAE: What's wrong with the International Monetary Fund and World Bank?

MELTZER: In short, both the IMF and the World Bank suffer from being largely command-and-control institutions. They say, "We give you the money. We tell you what to do."

TAE: How could they be fixed?

MELTZER: They need to become incentive-driven. They need to say to a country, "If you adopt these reforms, we'll help you if you get into trouble. If you don't adopt these reforms then people who lent you money should know that they're going to lose their money and we won't help you."

TAE: Is any progress being made in the direction of reform?

MELTZER: The International Monetary Fund has gone quite a long way in the right direction. It's developed the Contingent Credit Facility, which says to countries: "If you adopt these reforms we'll lend to you." The World Bank has moved much less in the direction of reform.

TAE: Why is it so hard to sell some observers on the benefits of globalization?

MELTZER: Paul Samuelson, the great economist, was asked which fundamental economic principles were true but not obvious. He answered that the gain from trade was such a principle. The fact that two sides can trade things and have *both* end up better off is not an obvious thing. But that's what globalization is all about. I don't think that people fail to recognize this so much as they deny it—either to protect the jobs of unionized workers in industries where there are others who can produce the goods at a lower price, or because they are simply anti-capitalists and see the market system as evil.

TAE: Do you think the recent criticisms of the U.S. acting without U.N. approval or massive global consensus in Iraq will spill over into international economic institutions now that the war is over?

MELTZER: I think people will pursue their interests and not do things to spite themselves. People around the world depend on us a great deal because we're the most powerful country in the world. They're not going to refuse to trade with us. They're not going to try to disrupt our economy because there is no way they can do so without disrupting their own. Countries, by and large, try to act in what they perceive as their self-interest.

