

digit inflation which signals the approaching demise of the paper currency. In the final convulsion of inflation fever, millions of housewives join businessmen in a panic rush to exchange their rapidly depreciating money for real goods. When millions of consumers hurry to spend their monetary assets and use all their lines of credit in order to seek refuge in real goods, the end of the currency comes in sight. Consumers' goods prices that were rising at much lower rates than those of producers' goods then will soar to catch up with the latter, or even surpass them, in the final contor-

tion of the crack-up boom. In the dusk of the paper system that springs from political power and economic redistribution, the dreaded depression that was so long delayed in coming will finally make its entrance with irresistible force. Thus, once again, the inexorable laws of economics will prevail over political intrigue and power.

Indeed, affliction is a school of virtue that may correct levity and interrupt the confidence of sinning. But how long and how often must man be afflicted before he learns the lesson? ☹

The Cost of Statism

BRIAN SUMMERS

FOR 6,000 YEARS of recorded history, men have lived under some form of statism. That is, mankind has never known a truly limited government—a government whose force is purely defensive in na-

ture, protecting all from humanly initiated force and fraud, and doing nothing more. Thus, people have always experienced an aggressive component of governmental force, a component that takes from some and gives to others. This aggressive component, this *legal plunder*, has been at the

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expense of human beings. Let us examine the cost.

The cost of statism cannot be measured, for we have no way of knowing how life would have proceeded were it not for statist disruptions. Thus, there is no way of placing a dollar value on the consequences of government economic interventions, no way of measuring the suffering resulting from statism, and no way of accounting for the loss of life, for who knows how life and death would have proceeded in a free society?

Does this mean that we are stymied before we even start? Not at all. One examines the cost of statism by considering the nature of statism. And the nature of statism — legalized aggressive force by men against men — is perhaps best revealed by focusing one's attention on particular statist interventions. Let me suggest how such a survey might proceed.

Begin at Home

It is probably best to begin at home. There are millions of laws in America, so many, in fact, that no one can more than guess the number. How many of these are statist in nature? As many as are not specifically designed to protect people from humanly initiated coercive force and fraud.

Americans have laws that tax some and give to others, laws that

prevent the hiring of nonunion workers, minimum wage laws that result in the unemployment of workers whose hourly productivity is less than the minimum wage, laws that prevent unlicensed barbers from cutting your hair, laws that restrict advertising and other forms of competition, anti-trust laws that penalize efficient producers, laws that restrict imports, and on and on.

Not one of these laws protects people from coercion or fraud. Rather, every one of them is aggressive in nature, directed against taxpayers, nonunion workers, unskilled workers, efficient producers, and all their families. Who can measure the cost to these people?

And note that every one of these laws restricts and discourages production. With an eye on the simple truism that consumers cannot consume any more than producers produce, it is clear that these taxes and interventions victimize millions of consumers. But the cost does not stop here.

We must also consider the effect current taxes and interventions will have on the future. The quantity and quality of tomorrow's production, and thus tomorrow's standard of living, will be greatly dependent on today's capital investment. To the extent that current taxes, interventions, and the

threat of taxes and interventions prevent and discourage this capital investment, our children will pay the price.

We should note well that this cost will not merely be in terms of material consumption. Tomorrow's leisure time, goods and services used during leisure, charitable contributions, and funding of medical care, medical research, education, science, and the arts will be greatly dependent on tomorrow's standard of living. And tomorrow's standard of living will be based on the tools of production we are building today.


A World-Wide Problem

Of course, statism is a world-wide phenomenon. One sees its destruction in every land. Consider the many wars of conquest. Who can measure the loss of capital? And, of far, far greater importance, who can account for the suffering? Who knows what contributions the unfortunate victims would have made had they only lived to see another day?

Or consider the cost of a controlled press. Of concentration camps. Of immigration and emigration laws. What is the cost of the Berlin Wall?

Statism is with us at this very moment. Men and women are paying the price. And their children and their children's children will also pay the price in terms of the destruction of capital, the destruction of liberty, and the destruction of people.

All this is not to say that the alternative to statism, a truly limited government, is without cost. However, the cost of government that protects people from humanly initiated coercion and fraud, and does not intervene otherwise, is measured primarily in terms of taxes that support these two legitimate functions. As an economy grows, as it always has when men have come anywhere near the ideal of limited government, these two functions consume a smaller and smaller percentage of productive output. That is, we would expect limited government to be supported, except in time of war, by a falling relative burden of taxation.

This, of course, is an ideal that may never be attained. However, in light of the tragic cost of statism, this ideal must be pursued for as long as people turn the forces of government against their fellow men. 



"WHY DOES a movie star earn more than a doctor? Why does a writer of thrillers earn more than a first-rate novelist?" These may be interesting questions of fact for the economist; but in politics they are rhetorical questions, popular expressions of a deep-seated feeling that our free market system is inherently unjust. It is assumed that a person's income should be proportional to the value of what he does, or to the ability or merit he exhibits in doing it. On this assumption, the income differences mentioned above are *inequitable*: the doctor and the novelist *deserve* more than the actress and the writer of thrillers. Since differences of this nature are supposed to be common in a free market system, the system as a whole is *unfair*. Capitalism is a den of inequity.

In reply, many defenders of the market accept the indictment as true, but irrelevant. The moral basis of the market, they say, is not justice but freedom. Freedom is necessary to the pursuit of any good end, but it also allows the pursuit — occasionally successful — of bad ends as well. Justice, outside the sphere of legal justice, is the concern of individuals and groups in their private capacities. It cannot be enforced by the government; and it cannot be pursued by the government without the kind of controls that institutionalize much worse forms of injustice.

This reply is certainly valid, on both counts: freedom is the overriding and sufficient basis for the market; and injustice does sometimes occur within that system. But we do ourselves a disservice — and the market an injustice — if we allow the leftist charge to stand unchallenged. For morality is of a

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