WILLIAM H. PETERSON

U.S. Defense and the Multinational Corporation

I DRAW MY SERMON from the gospel according to Ludwig von Mises in his *Human Action* (1949) in which it is written: "Capitalism is a scheme for peaceful nations," and according to Alexis de Tocqueville in his *Democracy in America* (1835) in which it is written:

> There are at the present time two great nations in the world which seem to tend toward the same end, although they started from different points; I allude to the Russians and the Americans. ... All other nations seem to have reached their natural limits, and only to be charged with the maintenance of their power; but these are still in the act of growth: all the others are stopped or continue to advance with extreme difficulty; these are proceeding with ease and with celerity along a path to which the human eye can assign no term. The American struggles against the natural obstacles which oppose him; the adversaries of the Russian are men; the former combats the wilderness and savage life; the latter, civilization with all its weapons and its arts: the conquests of the one are therefore gained by the plowshare; those of the other, by the sword. The Anglo-American relies upon personal interest to accomplish his ends, and gives free scope to the unguided exertions and common sense of the citizens; the Russian centers all the authority of society in a single arm: the principal instrument of the former is freedom; of the latter, servitude. Their starting-point is different and their courses are not the same; yet each of them seems to be marked out by the will of Heaven to sway the destinies of half the globe.

Talk about prescience, talk about a grand theme for a paper—this play on the economic underpinning of war and peace is it.

Dr. Peterson is Burrows T. Lundy Professor of the Philosophy of Business at Campbell College, North Carolina.

This paper is taken from remarks at Boise State University, Boise, Idaho, March 27, 1976.

Let's explore, then, two timely issues raised by this gospel according to Mises and Tocqueville.

The first is economic. It relates to efficiency and productivity and hence to world prosperity. It is the question of free trade in goods, technology and capital vs. government interventionism in general and protectionism in particular—particularly as protectionism impinges on the multinational corporation.

The second yet closely related issue is more political and ties more directly into overall U.S. defense strategy. It stems from the old axiom that troops move when goods stop crossing borders. It relates to the mutual national advantages that flow from free trade in goods and capital—advantages which greatly contribute to relaxation of political and military tensions. IBM catches this idea beautifully in its motto: "World Peace Through World Trade."

Voluntarism vs. Controls

As is clear by now, I put a lot of stock in the old-fashioned ideas of private property, free enterprise, sanctity of contract, and limited government. I also put a lot of stock in the idea that government, however necessary for order in society, is, in the final analysis, organized force. Try not paying your taxes and you'll see what I mean. Multinational corporations, on the other hand, are strictly voluntary organizations. Nobody is twisting your arm to buy a Chevy, a Mazda, 10 gallons of Shell, a Sony color TV or any other product from the MNC's.

But were not such ideas the bequest of our Founding Fathers? Sad to relate in this bicentennial year, this bequest has run afoul of government interventionism. By way of definition, interventionism is the market-meddling and privacy-invading methods of the so-called middle-way, welfare-state, mixed economies of North America, Western Europe and Japan.

These economies—need I remind you?—come replete with double-digit inflation, massive unemployment, mind-boggling taxes, much social friction and lots of nosy bureaucrats, themselves full of contradictory and self-defeating rules and regulations.

Such messy repercussions are even more evident in the Third World. And now the MNC's are really catching hell, thanks in part to the bribery problem which I will treat in a moment. With the overwhelming support of Third World countries, the United Nations General Assembly has just passed a so-called Charter of Economic Rights and Duties of States. The Charter says that if a nation nationalize an MNC, any differences on compensation shall be reconciled "under domestic law of the nationalizing country" and "by its tribunals." Rather one-sided, don't you think?

Similarly, a "Code of Conduct" proposed by the Organization for Economic Cooperation and Development would put tight restraints on MNC's, but, strangely, not on government-owned corporations or private national firms. In addition, the OECD Code would require MNC's to reveal confidential commercial and financial data on their operations and taxes, country by country—a revelation hardly conducive to a climate of investment.

Here at home the MNC's are fending off a push to remove their present right to defer income taxes on foreign earnings until they are repatriated. Since no foreign countries tax overseas earnings until remitted home, American companies would be at quite a disadvantage with their foreign competitors. Moreover, our MNC's have found it necessary to persuade, so far successfully, the House Ways and Means Committee not to terminate their present foreign tax credit, which allows them to deduct foreign income taxes from their U.S. tax liability. If the foreign tax credit were eliminated, U.S. MNC's would be subjected to double taxation, with the effective tax bite on foreign profits of U.S. firms increasing from 48 percent to about 73 percent. Such a blow, I submit, would gravely set back world development—and world peace.

All these attacks and harassments against the MNC's serve to undermine our basic defense on geopolitical strategy of harmonious relations among all countries. All of which divert our attention from the strict rule of life that to consume we must first produce. Why, then, do we Americans harass our prime producers, the MNC's, and at the same time devote so much attention to foreign aid and domestic welfare programs which merely shift shrinking purchasing power from one group to another?

Aid Programs Backfire

I believe history demonstrates that foreign aid and domestic welfare usually boomerang against their intended beneficiaries, setting back economic development abroad and causing social friction at home. I believe we of the West, so critical of the Third World, merit the admonition of the gospel according to Matthew: "Thou hypocrites, first cast the beam out of thine own eye."

All of which robs the will—and ability—behind national defense. In the U.S., for example, domestic spending by government has outstripped defense spending. Defense spending fell from 14.3 percent of GNP in 1952 to 7.2 percent in 1972.

Meanwhile, domestic spending, including welfare programs, climbed from 12.2 percent of GNP in 1952 to 25.7 percent in 1972. All with those adverse repercussions I mentioned earlier.

Indeed, in this light, I have a book manuscript in preparation which has as its central postulate: *Every government intervention into peaceful private activity tends to make things worse rather than better.*

The hero of the book is the Consumer—the Forgotten Man in our society, despite the so-called Consumer Movement. He gets the short end of the stick from interventionism. He is the one who has to pay the bill for all the economic inefficiency and political instability wrought by the interventionists. He is the one who in the end has to pay all the wages, taxes, energy costs, interest payments of the MNC's and all the other costs of doing business in general. Including the manifold inefficiencies wrought by interventionism. Verily, there is no such thing as a free lunch.

But in a free society the Consumer is also the Boss. He is in charge. The .entrepreneurs may think that they control production, that they are at the helm and steer the ship. Now listen to Mises on the entrepreneurs:

> A superficial observer would believe that they are supreme. But they are not. They are bound to obey unconditionally the captain's orders. The captain is the consumer. Neither the entrepreneurs nor the farmers nor the capitalists determine what has to be produced. The consumers do that. If a businessman does not strictly obey the orders of the public as they are conveyed to him by the structure of market prices, he suffers losses, he goes bankrupt, and is thus removed from his eminent position at the helm. Other men who did better in satisfying the demand of the consumers replace him.

So if you hear me defend the multinational corporation against buttinsky government officials, please don't think of me as a mouthpiece for the global companies. In a sense, I don't give a hang about these companies; my concern is with the Forgotten Man. I believe his prime shield against the slings and arrows of life is free enterprise, global or otherwise. I don't believe in the "open political warfare"—to use the phrase of Jacques Maisonrouge, chairman of the IBM World Trade Corporation—that has characterized relations between the nation-states and the MNC's in recent years and months.

Defense Strategy

Enough of philosophy. We'll come back to the multi-national corporation. For now let us explore a bit further our second issue on the geopolitics of U.S. defense strategy.

Ponder: The major industrial economies of the West, including

Japan, are long on capital and technology; the Third World is long on materials and manpower. Trade and investment, international harmony and good will, should flow between the two great areas. The Third World should leap ahead. Or, as the President's Materials Policy (Paley) Commission observed way back in 1951:

> The less developed countries have the materials. The industrial nations have the capital and the technical and management skills. These facts suggest the possibility of a new era of advancement for the world, which is dazzling in its promise.

But apparently the Third World just didn't get around to reading the Paley Report. For the report had no sooner been issued when a wave of expropriations and nationalizations enveloped foreign investments in the developing countries around the globe.

In 1951, for example, Iran seized the assets of the Anglo-Iranian Oil Company. In 1952 the United Nations approved UN Resolution 626 which asserted the sovereign rights of the developing countries but somehow fell short of noting the rights of the hardly dispensable foreign investors who had poured investment funds into those very same countries. Also in 1952 Bolivia nationalized foreign-owned tin mines. In 1953 Guatemala took over 250,000 acres of banana lands from the United Fruit Company, offering some $600,000 in Guatemala bonds as compensation for the property which had cost the company about $25 million. In 1956 Egypt took over the physical assets of the Universal Company of the Maritime Suez Canal, precipitating an immediate war with Britain, France and Israel.

Nationalizations, expropriations and wars have accelerated in the 1960's and 1970's. A recent UN study notes that nationalizations by the developing nations have doubled from an average of 45 a year during the 1960's to an average of 93 a year so far in the 1970's.

So I pause for some reflection and ask, How did the Paley Commission "promise" come to be broken?

In raising this question, I call attention to a raft of success stories in the Third World—Brazil, South Korea, Taiwan, Hong Kong, Malaysia, Thailand, Singapore, the Philippines and the Ivory Coast, to name the ones that come to mind. So I think it is plain that the Third World, if it does not go overboard on interventionism, is not somehow doomed to poverty and stagnation.

The Exploitation Theory

Still the Third World answers the question by rattling the saber and charging the West with exploitation—the old Marxist idea of capital exploiting labor, the bourgeoisie oppressing the proletariat, the rich grinding down the poor.

Here, for example, is Mexico's President Luis Echeverría before the UN General Assembly baldly accusing the rich industrialized nations of ignoring the needs of the poor developing countries, adding:

To postulate that the traffic of merchandise and products should be confined only to the industrial islands of affluence would not only lead in the short and medium term to an explosion in the Third World, but also to urban violence and suicide in the very nations that believe it possible to isolate themselves.

But how unreal can such a postulation be? Maybe President Echeverría hasn't been checking Mexico's highways and byways recently for signs of massive multinational corporate investment to the extent of billions of dollars and at least hundreds of thousands of jobs.

I think of such MNC's, virtually all on a joint venture basis with Mexican partners, as Sears, Woolworth's, Walgreen's, Procter & Gamble, Kellogg's, J. Walter Thompson, Pepsico, Ford, Volkswagen, General Motors, Sony, Panasonic, Eastman Kodak, Honeywell, Motorola, Texas Instruments, General Foods, General Mills, Miles Laboratories, Du Pont, Firestone, Goodyear, Cummins Engine, Philips' Lamp, Sunbeam, and scores more.

Just to detail the vast effort of Sears in Mexico in developing splendid retailing services and local supporting manufacturing industries to the tune of thousands upon thousands of jobs would involve more time than I can spare at the moment. Suffice to say, Sears and a host of other MNC's have worked mightily to develop Mexico. The Mexican consumer knows this, even if President Echeverría doesn't.

Even stronger on the exploitation line has been General Idi Amin, ruler of Uganda and president of the forty-six member Organization of African Unity. He calls on the General Assembly to expel Israel from the UN and bring about "the extinction of Israel as a state." He goes on to blacken U.S. MNC's as Zionist, saying:

The United States of America has been colonized by the Zionists who hold all the tools of development and power. They own virtually all the banking institutions, the major manufacturing and processing industries and the major means of communication; and they have so infiltrated the CIA that they are posing a great threat to nations and people which may be opposed to the atrocious Zionist movement. They have turned the CIA into a murder squad to eliminate any form of just resistance anywhere in the world.

Plainly, animosity and vituperation pepper communications between the West and the Third World. Plainly, developing or host countries are loading still more restrictions on the MNC's and hence on the consumer everywhere, and especially on their own Forgotten Men.

Restrictions on Trade

Listen to a list of such restrictions compiled by Professor Jack N. Behrman, a specialist on international trade and investment at the University of North Carolina:

(a) Foreign investment should not displace nationally-owned investment of a similar sort.

(b) Foreign investment should be complementary to nationally-owned investment, supporting the development of the latter.

(c) Foreign-owned affiliates should not be wholly-owned by the foreigner, but a majority of shares should be held by local nationals.

(d) Extractive investments should occur only in unexploited areas of the host economy.

(e) Maximum effort should be made to export from the foreign-owned affiliate.

(f) Preferences should be given to the hiring of local personnel, and minority groups should not be discriminated against.

(g) Local technicians should be trained and put in high-level positions.

(h) Support should be given for local technical and educational centers.

(i) Imports of materials and semi-finished goods for processing by the affiliates should be reduced to a minimum.

(j) The foreign investor should make a maximum contribution to the balance of payments of the host country.

(k) The foreign investor or licensor should not employ restrictive business practices (some twenty or more specific practices are prohibited).

(l) Foreign investors should not acquire existing companies in the host country.

(m) The foreign investor should reduce local borrowing to a minimum.

(n) The foreign investor should not attempt to avoid or evade taxes in the host country.

(o) The foreign investor should seek to re-invest a maximum percentage of earnings in the host country.

However reasonable any of these restrictions may sound in today's interventionistic world, almost every one is still a restriction—an intervention and hence a possible bar to investment. Thus do "host" countries come to frighten away good jobs for their workers and benefits for their consumers. Good work!

These fine efforts to gum up multinational trade and investment get a marvelous assist from the UN General Assembly, which just overwhelmingly passed the aforementioned Charter of Economic Rights and Duties of States. The Charter has been scrutinized by the U.S. Council of the International Chamber of Commerce. Says the Council:

This Charter, among other things, encourages nationalization of foreign property and the likely substitution of state corporations for foreign-owned private enterprise. It sets forth the notion of reparations for alleged colonial or neo-colonial coercions of the past.... The Charter endorses expropriation without compensation. It rejects international adjudication of economic disputes between a host government and a foreign investor. And much more, in effect the overwhelming majority of UN members voted to apply their own doctrines to the detriment of the United States and the industrialized West, even though such an unbalanced attitude seems likely to jeopardize their own objectives for economic growth.

But imagine a smart Third World country switching off the Third World Blues, actually courting the multinational corporations and advertising in *Fortune*, *The Wall Street Journal*, *The New York Times* and *The Washington Post* as follows:

Attention: Yankee traders, Western banks, Japanese firms, European companies.
Consider Lower Slobovia as your investment haven. Low wages. High productivity. Encouragement of the work ethic. Profit repatriation. Low taxes. Private property and sanctity of contract completely respected. Guarantees against nationalization and expropriation, with adjudication pledged by the World Court in the Hague and with indemnity funds pledged in Switzerland.

Can anybody doubt how quickly Lower Slobovia would rocket upward in a "take-off," how investment money would flood the country, how Lower Slobovians would flock to work, how they would soon build up their country and turn out goods and services at an ever faster pace, how Lower Slobovia would shine as the brightest star in the Third World?

This is not to say the MNC's would simply touch Lower Slobovia with a wand and, presto, Cinderella is transformed into a beautiful princess. The MNC's can be quite a catalyst but in the end it is the Lower Slobovians themselves—and Third Worlders generally—who must establish the will and the way to develop.

And that way is, in a phrase, free trade and all that goes with it, including that delightful phrase of Adam Smith on private incentives, the Invisible Hand.

Never underestimate these latent incentives ready to spring forth in the Third World with a pool of local savings, a pool of willing workers and, perhaps most surprising of all, a pool of native entrepreneurs.

Listen, for example, to Sir W. Arthur Lewis, the West Indian ex-Princeton professor who is one of the world's outstanding economists. He has found no lack of enterprise in the Third World nor of—and these are his words:

willingness to exploit opportunities. The will to do business and make money shows up in the hordes of traders; and in the rapidity with which small entrepreneurs take up small business opportunities as soon as the opportunities are opened up—motor transport, cinemas, building and contracting, small flour mills, printers, softdrinks—there is no shortage of small business types in underdeveloped countries. The shortage is of men who can build and run a large modern factory or mine or ship.

But the Third World, as we noted, is given to backbiting the multinational corporations, to cutting off its own nose to spite its face. Ludwig von Mises has commented how many poor countries of the world have avoided modern capitalism at their peril. He wrote:

> What they need most is entrepreneurs and capitalists. As their own foolish policies have deprived these nations of the further enjoyment of the assistance imported foreign capital hitherto gave them, they must embark upon domestic capital accumulation. They must go through all the stages through which the evolution of Western industrialism had to pass. They must start with comparatively low wage rates and long hours of work. But, deluded by the doctrines prevailing in present-day Western Europe and North America, their statesmen think that they can proceed in a different way. They encourage labor-union pressure, and alleged prolabor legislation. Their interventionist radicalism nips in the bud all attempts to create domestic industries. Their stubborn dogmatism spells the doom of the Indian and Chinese coolies, the Mexican peons, and millions of other peoples, desperately struggling on the verge of starvation.

Hear, hear. Professor Mises deserves applause for calling attention to the "doctrines prevailing in present-day Europe and North America." In 1975, for example, well after the debacle of wage-price controls in America from 1971 to 1974, and after a similar history of failure of "incomes policies" in Britain and elsewhere, Canada, Norway and Iran slapped on wage-price controls, justifying the observation of Santayana that those who don't know history are condemned to repeat it.

Washington Intervenes

The government in Washington itself is none too pure in the application of the wisdom of Adam Smith and David Ricardo. Recently, for example, at the behest of the United Automobile Workers, Washington took investigative action against foreign cars selling in the United States at prices below those charged in their home markets. So, through the deliciously-named International Trade Commission, Washington looks into UAW complaints that Datsuns, Toyotas, Fiats, Volkswagens and the like have been dumped on American shores in violation of the Anti-Dumping Act of 1921.

But our Forgotten Man never

complains about dumping, about prices being "too low." He is simply, well, forgotten. As he is when the United States insists on American-made ships manned by U.S. citizens for its coastal shipping. Similarly with U.S. quotas on woolen, cotton and synthetic textiles imported from abroad. Or with brand-new quotas now being worked out with Europe, Canada and Japan for an annual quota of 146,000 tons of foreign specialty steels. Or with U.S. restrictions on the importation of brooms and sugar. And until the energy crisis, with now-repealed quotas against foreign oil (likely giving a lesson on restrictionism to the Organization of Petroleum Exporting Countries). And now Senators Humphrey and Javits push for "national economic planning"—a marvelous object lesson for the Third World and yet another pot-hole in the road to world peace.

As luck would have it, Western Europe, Japan and other enlightened countries also have their peccadilloes in violation of free trade and international amity.

Sweden, for example, is sour on foreign dairy products, oils, fats, grains, meat, apples, electrical equipment and animal feeds ... Norway frowns on imports of electrical equipment and dairy products ... Italy erects barriers against foreign cigarettes, refrigerators, electric transmission towers, ski lifts and wire mesh ... France battles against foreign movies, cars, oil products, electrical goods, and wine from Italy ... Canada fights its consumers by restricting imports of foreign grain, canned goods and American whiskey ... Australia protects its dairy farmers by allowing its Forgotten Man to consume margarine only if it is colored pink.

Retaliatory Measures

So who is exploiting whom? No wonder the MNC is having a hard time. No wonder peace is having a hard time. Protectionism and retaliation seem to be the basic ground rules for world commerce—and inadvertently for world friction. The hypocritical West charges OPEC with exploitation. OPEC returns the charge.

The Third World charges that the MNC's exploit their economies. The AFL-CIO similarly charges that the MNC's exploit American labor, mainly by shifting manufacturing to such places as Mexico, Korea and Taiwan. According to the AFL-CIO some 500,000 U.S. jobs were so exported in just the second half of the 1960's.

But Western MNC's frequently had no choice but to move production abroad, either because of foreclosed protected foreign markets or because of domestic markets being threatened by sharp foreign competitors. As Reginald H. Jones, chairman of General Electric put it: "As the last company in the U.S. to give up the manufacture of radios, we know exactly how tough the foreign competition has been."

Also, while it is true the U.S. economy has given up jobs involved in production of such things as radios, bicycles and shoes, the fact is that we have thereby gained jobs for our export industries, including computers, jet planes and agricultural products.

Indeed, I agree with the Commerce Department study by Professor Robert S. Stobaugh of the Harvard Business School that on balance overseas operations of U.S. MNC's have increased domestic employment by some 700,000 jobs as well as increasing a net inflow of some $7 billion a year in the nation's balance of payments.

But all the talk on jobs gained and lost through trade still misses the point. That point was well set forth by David Ricardo in his law of comparative advantage. And that advantage belongs to the truly exploited character in the drama of the MNC's under fire, our old friend, the Forgotten Man—the Consumer.

Smith a Consumer Advocate in The Wealth of Nations

Recall that Adam Smith was a consumer advocate long before that phrase became the fashion. He saw the consumer as the key beneficiary in his laissez-faire system. This was the master oversight of the mercantilists, the interventionists of George III's day. As Smith observed:

> Consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer. The maxim is so perfectly self-evident, that it would be absurd to attempt to prove it. But in the mercantile system, the interest of the consumer is almost constantly sacrificed to that of the producer; and it seems to consider production, and not consumption, as the ultimate end and object of all industry and commerce.

In short, the law of supply and demand and the law of comparative advantage have yet to be repealed. The MNC is the prime vehicle for the implementation of these laws, and hence the benefactor of the developing world. But note the snide intellectual treatment of MNC's in *Global Reach* (1974) by Richard J. Barnet and Ronald E. Müller and *The Sovereign State of ITT* (1973) by Anthony Sampson.

Mr. Sampson's title and idea may have been inspired by a book published in 1971 by a Harvard Business School professor. The book: *Sovereignty at Bay.* The author: Raymond Vernon. Professor Vernon holds that "sovereign states are feeling naked." He maintains that the MNC's vast financial reserves, huge size, and extensive technology push the nation-states into a feeling of frustration and possible aggression, certainly against the MNC's.

Intellectuals Barnet and Müller contend that "the structural transformation of the world economy through the globalization of Big Business is undermining the power of the nation-state to maintain economic and political stability within its territory." Accordingly the authors seek the long arm of the law to maintain social justice. In their seeking, they are aided and abetted by the boiling bribery problem.

I agree that on occasion businessmen have tricked, bribed and otherwise committed nefarious acts against the peoples and governments of the Third World. I say fie on such businessmen but note that they constitute but a minority, some black sheep whose presence, like germs, can rarely be 100 percent eradicated.

I deplore such vermin, yet believe that by and large business comes under the cleansing action of competition and the long-run principle of Cicero: "Whatever is profitable must also be honest, and whatever is honest must also be profitable."

Moreover, I agree with former Assistant Treasury Secretary Murray Weidenbaum, now an economist at Washington University in St. Louis, that most of the bribery is rooted in intervention. And how! Dispensers of government—repeat, *government*—favors, whether an investment license, access to foreign exchange, a government contract, an airline route, or whatever, frequently get to surreptitiously auction their favors to the highest bidders. Also, often the more apt word is not bribery but extortion.

In other words, were there no intervention, there would be no favors and hence no opportunity to extort or encourage bribes. To rid Latin America, the Middle East, Asia and Africa of "payola" via moralistic condemnation, via elaborate codes of ethics, via confessions of *mea culpa*, is an idle dream. These lands are rooted in generations of interventionism. Wipe out intervention, and then—and only then—will you wipe out bribery.

Ponder again: One hundred years ago the economic disparity between the West and what would have been the Third World countries was even greater than the disparity today. One hundred years ago, you see, the world was at peace. One hundred years ago, the world lived under free trade, the gold standard, and relatively free migration of peoples. The nineteenth century, relatively speaking, was a peaceful century; the twentieth century, so far, has been a century of total war and cold war.

The Rise of the State

The difference lies in the shifted role of the state. Then it was limited; now it is unlimited. Then it was laissez-faire; now it is interventionistic. As Mises noted in his *Human Action:*

Under laissez faire peaceful coexistence of a multitude of sovereign nations is possible. Under government control of business it is impossible. The tragic error of President Wilson was that he ignored this essential point. Modern total war has nothing in common with the limited war of the old dynasties. It is a war against trade and migration barriers, a war of the comparatively overpopulated countries against the comparatively underpopulated. It is a war to abolish those institutions which prevent the emergence of a tendency toward an equalization of wage rates all over the world. It is a war of the farmers tilling poor soil against those governments which bar them from access to much more fertile soil lying fallow. It is, in short, a war of wage earners and farmers who describe themselves as underprivileged "have-nots" against the wage earners and farmers of other nations whom they consider privileged "haves."

Evidence of interventionism and aggressive nationalism leading to war or near-war is, sadly, easy to come by these days. Some 12,000 Soviet-equipped Cuban troops have just helped successfully wage "a war of liberation" in Angola. Another communist-angeled state, Mozambique, is now menacing Rhodesia.

Even tiny nations get to tweak Western noses. The other day, for example, Panama's ruler, General Omar Torrijos, said his country "will have to resort to the violent stage" if peaceful efforts to recover the Canal Zone from the U.S. fail. The violent stage? Ay, that's the rub . . .

It is useless to ban the Bomb. What we must ban is the ideology of war, which means the ideology of government omnipotence, of aggressive nationalism, of intervention run riot.

We must, I think, rediscover the gospel according to Tocqueville and Mises. We must return to the philosophy of laissez faire and the market economy. We must see the wisdom of Daniel Patrick Moynihan's observation that the MNC is a shining example of the "enormous recent achievements" in international relations, that "combining modern management with liberal trade policies, it is arguably the most creative international institution of the twentieth century."

I agree. The multinational corporation is far and away the greatest force for world development and, as implied by IBM, for world peace.

Meanwhile, let's remember Tocqueville's point on the Russian sword and keep our powder dry.

OSCAR W. COOLEY

Rights Are Freedoms, Not Powers

THE WORD "RIGHT," used as a noun, means, my dictionary tells me, a "just, or lawful claim." Claim on what? On whatever I want and can lawfully have.

I have a right to life, that is, a just claim on life. I have a right to liberty, a just claim to be free. I have a right to property, a just claim on land, goods, or other wealth.

My right is not life, liberty, property, but rather my proper and just claim upon these things. The distinction is important. It was understood by our revolutionary forefathers but is widely misunderstood today.

The misunderstanding lies in identifying the right with that which one has a right to, that is, a claim upon. Thus, people say, "Everyone has a right to an adequate diet," when they mean that everyone can properly take an adequate diet out of the common larder, by taxing or by voting his group a public subsidy. The fact is that no one can properly do this.

Jefferson, who asserted in the Declaration that all men have "certain unalienable rights," would have been disturbed if told that the government must provide food, clothing, and shelter to everyone because to have these is their right. One has a right to seek an adequate diet but not to compel his fellowmen to give it to him.

"Unalienable" describes that which *cannot be alienated or separated* from. An unalienable right is a natural right with which people

Mr. Cooley is Associate Professor of Economics Emeritus, Ohio Northern University, Ada, Ohio.