THE FREEMAN
IDEAS ON LIBERTY

The Piper Will Be Paid

by Charles D. Van Eaton

When God told Adam, "In the sweat of your face you shall eat your bread until you return to the ground, for out of it you were taken; you are dust, and to dust you shall return," He was not congratulating him. Maybe it's because I was a Biblical Studies major during my first tour through college, years before I returned to do it all over again as an Economics major, that I'm often drawn back to the ancient text to find economic lessons. If there ever was an economics lesson in Scripture, this early text (Bible students don't need to be told where it's located) is it. Life, it teaches, is not going to come easy. But that's OK because economists know that one of the good things about the hard life is that it teaches lessons to those who are willing to learn. The first lesson is this: make the right choices and there can be more bread with less sweat; make the wrong choices and there will be less bread but more sweat. Lesson two automatically follows from the first: deny the need to learn the first lesson and, sooner or later there will be no bread for anyone regardless of how much we all have to sweat.

What is this, an essay in economics or theology? Actually it's both because what both have in common is this axiom: "Sow to the flesh and you will reap corruption," but "Sow to the Spirit and you will reap life." In the jargon of economics the same tale is told another way: all choices have costs. Consequently both the Biblical and economics lesson come to the same conclusion: some choices cost more than others, so pay attention and don't keep making the same dumb mistakes over and over again.

But what happens when the old lessons are cast aside? Two events some seven years apart tell the story.

Turning Values Upside Down

In the years before the Supreme Court's 1954 landmark Brown versus Board of Education decision outlawing racial segregation in public schools, Washington, D.C., a deep-south city in many respects, maintained two public school systems; one for black children and one for non-blacks. For ambitious young black scholars interested in technical subjects, McKinley Tech was the place to be just as equally-famous Dunbar High was the choice of those interested in the arts and literature. As was true of Dunbar, admission to McKinley was highly competitive. Not everyone could get in, but those who did went on to become physicians, lawyers, nurses, research scientists, dentists, business leaders, and government officials.

Even though both Dunbar and McKinley were open only to black students, both were segregated schools—except the separation factor was not race, it was individual excellence. Distinctions were made on a grand scale and distinctions of this sort favored the few over the many. With the advent of that political vision known as the Great Society, we learned better. Things were changed,

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and a new process was set in motion which made McKinley what it is today. What is that?

In September 1987, the *Washington Post* assigned Athelia Knight, one of their very bright young black reporters, to spend a year at McKinley to examine the day-to-day life of young people in this once-famous high school. Her four-part series stunned this committed *Post* reader: things had changed since the 1950s.

Knight focused on the efforts of McKinley's Principal, Bettye Toops, to improve standards and attendance. Despite her daily efforts to make McKinley what it used to be, matters were getting worse every day. For example, during an assembly held to honor outstanding students, those who had earned honor-roll status would not come forward when their names were called. They were afraid to be honored for academic accomplishments because their peers did not approve. "What Toops saw that day was a dramatic example of how academic values have been turned upside down. . . . Somehow, an environment had emerged that discouraged excellence and encouraged mediocrity. Complacency had won out over creativity; good students didn't want to be singled out because their peers wouldn't allow it." What was once a place of excellence had, in one generation, become a place of fear and failure.

Muting the Old Signals

Move forward seven years to 1994. On May 26, 1994, *Wall Street Journal* staff reporter Ron Suskind visited Washington D.C.'s all-black Frank W. Ballou Senior High School.* Two young men were featured. One, Cedric Jennings, is the child of a very religious single-parent mother and a father who was serving time for drug dealing; the other, Phillip Atkins, is the son of a hard-working, church-going mother and father who constantly teach him and his six sisters to work hard, study hard, and pray for guidance. While Cedric carries an amazing 4.0 grade point average with solid courses in math, physics, chemistry, and biology—accomplished by hard work in the laboratory before and after school with the full support of his teachers and mother—Phillip barely passes and will probably not graduate despite the fact that his test scores on national examinations are better than Cedric's.

As was true even years earlier at McKinley Tech, failure is pervasive at Ballou Senior High. There is good reason for this. Most of the children in this school come from homes in which welfare is the main source of purchasing power. Their environment has taught them that there really is no such thing as bad choices which must automatically yield bad outcomes, and good choices which carry the promise of good outcomes. Those old signals have been muted because the world they see all around them is one in which choosing not to participate in the day-to-day world of work does not cause one to lose access to food, housing, medical care, and cash income—government takes care of all these things.

Here in the world of Cedric, Phillip, and all their peers, an event occurred which could have been scripted from Ms. Knights's old report from McKinley. When students were called together for an assembly to honor academic achievers, few of the winners showed up. Why? Too risky. "When one hapless teen's name was called, a teacher had to run to the bleachers and order him forward as others jeered him and called him Nerd!" When Cedric's name was called, he was nowhere to be found. "Doing well here means you had better not show your face. I was honored last year and I didn't go; I just couldn't take the abuse." Phillip's name wasn't called. "Being openly smart," he told the *Journal* reporter "will make you a target, which is crazy at a place like Ballou. The best way to avoid trouble is to never get all the answers right on a test."

But neither Cedric or Phillip is the most intellectually gifted young man at Ballou. That honor belongs to Delante Coleman, who is the leader of one of the most dangerous street gangs in the community. As intellectually capable as he is, Delante gave up long ago. Now he likes to "toy with the

*A condensed version of Mr. Suskind's story appeared in the September 1994 *Reader's Digest*, pp. 49–53.

'goodies' who carry books home and walk alone." (Cedric is alone all the time. He has no friends at Ballou.) "Everyone knows they're trying to be white, to get ahead in the white man's world," Delante said. "In a way, that's a little bit of disrespect to the rest of us."

In his classic *Losing Ground: American Social Policy, 1950-1980* (Basic Books, 1984), Charles Murray predicted that something like this was bound to happen. Status and money are the tools society has traditionally used to manage behavior. Indeed, for many people, the dominant motive for working hard is the belief (right or wrong is beside the point here) that money can buy status. But perhaps the most important function of status, Murray argued, was to "reward the virtuous," whatever their level of income might be. Among the poor—which was the dominant group in society for most of our history—status was socially conferred on those who behaved responsibly. It was assumed that all people are always to be held personally responsible for their actions and are to take care of their own families as best they could. Thus a person might work hard and still be poor by the usual income standards, but society conferred status upon that person precisely because he worked and did the best he could. "Poverty," Murray argued, "had nothing to do with dignity." Break the connection between personal effort and status, particularly the connection between academic excellence and status which is so critical for young people, and soon there will be no academic excellence, no personal responsibility, and no dignity. In its place there will only be fear and pervasive failure.

Sociology in One Lesson

There's a lesson in the stories from McKinley and Ballou—a lesson so clear and compelling that one would have to be spiritually blind to miss the point. The lesson is this: the American people, acting through their freely elected political representatives to create social programs aimed at reducing poverty and increasing opportunity for the poorest of our lot, have succeeded in virtually destroying an entire generation of black Americans—even though not one person in a million ever intended for it to work out this way. But it has happened precisely because the philosophy which has informed the modern welfare state from the beginning is one which has always been at odds with reality.

Murray, who was there in the beginning, has noted that those who created the "Great Society" programs of the mid-1960s believed that it was wrong to make distinctions between those poor who do the right thing and therefore deserve to be rewarded, and those who do the wrong things and deserve to be left to suffer the negative consequences of their own behavior. In place of distinctions and status based on personal behavior was the assumption that the "system," rather than the individual, is to blame for poverty. The "old-fashioned" notion that there is a fundamental difference between the so-called "deserving poor," and the "undeserving poor" was cast aside in favor of the view that the poor were to be seen as a homogeneous entity and distinctions based on personal behavior were not to be made.

Enter the Cedrics, Phillips, and Delantes of the inner city. If young people in this setting have been denied the chance to see any reasonable connection between individual effort and life outcomes, they will find it difficult to tolerate any other young person from the same environment who works hard and succeeds in school because this person's success tells the non-achiever that his failure has something to do with his own choices rather than with forces beyond his control. The achiever has to hide. The non-achiever has to be the enemy of the achiever, and the Delantes of the community have to enforce the rules of failure on everyone.

Despite the best efforts of the modern welfare state to tell an entire generation of the poor that government can and will change the old notion about eating bread in the sweat of your face, we have succeeded instead in doing one horrible thing—we have now essentially denied bright and energetic young blacks access to the powerful social status which historically attached to academic excellence and, in so doing, have denied a growing number of the poorest of our brethren any chance of accessing some of the best jobs in the manufacturing crafts and commercial trades—jobs which do not require post-secondary education but which do require solid skills in basic mathematics and reading comprehension. In a word, our social programs have done the opposite of what they were supposed to do: they have closed the door for many who could and would have walked through.

Hidden Costs

Economists who study the impact of regulation on the economy suggest that regulation may increase costs by as much as $300 billion a year. Professor Israel Kirzner of New York University reminds us that $300 billion, at best, only counts what can be counted. What cannot be counted are the enterprises, jobs, and incomes which might have been developed but were not because the heavy hand of government regulation raised start-up costs and increased risk and uncertainty far above what they would have been had pure market forces been left to send the signals needed to know when and where to act and when and where not to act. Because economists cannot count what might have occurred but did not, regulation's costs are far greater than our best numbers can measure.

In the same way, we can count the number of people dependent on government welfare programs today and compare that number with counts from earlier generations to get some idea of how "successful" these programs have been. For example, we can compare the number of persons dependent on food stamps and the dollars spent on food stamps today to the number and dollars the political advocates of this particular welfare program claimed we would be spending when the program began. In 1961 there were 50,000 million food stamp recipients and the program cost $825,000. Congressional supporters claimed that there would never be more than two million Americans receiving food stamps. By 1993 the number of recipients had risen to 27 million, costing $22 billion. Conclusion? Welfare programs have not worked: the dollars prove it.

That's not the whole story. What hard dollar figures cannot count are the number of persons who could, and most likely would, have moved out of poverty if the powerful teaching tools of life had been left free to send the right signals. With these signals working, the Cedrics of the poor neighborhoods would still be making good grades and be honored by their peers. They would be going on to college and contributing to the goods and services which are the measure of our material standard of living. The Phillips would not be afraid to show their intellectual skills. And the Delantes would probably be leading their graduating class instead of a street gang.

As it is, Cedric will make it and Phillip will barely graduate from high school, but will probably stay out of jail if for no other reason than the spiritual power of his parents to keep him alive. But Delante will not likely live to see age 21. The economic data will leave no record of what Phillip and Delante could have contributed to others in directly productive labor. If they could, we would find that the true cost of our modern welfare system is incomprehensibly higher than what our crude numbers now suggest.

If there is any hope for the next generation it must come from a restoration of the old and still completely true ethic which teaches that we reap what we sow. How to begin? There is only one way. The welfare state must be abolished by closing access to it for the next generation. If we believe we cannot suddenly deny it to those already caught up in it because they are there at our own invitation, we can at least deny it to those not already seduced by its monetary charms. We can expel students who jeer excellence and make life fearful for those who want to excel. In a word, we can succeed only if we stop, once and for all, doing what we always knew would necessarily lead to failure. That's life's lesson, and it's as old as life itself. □

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What Is a Dollar?

by Edwin Vieira, Jr.

The question "What is a 'dollar'?" seems trivial. Very few people, however, can correctly define a "dollar," even though a correct definition is vital to their economic and political well-being.

1. Why is a correct definition of the term "dollar" important?

In America's free-market economy, prices are expressed in units of *money*. Under present law, "United States *money* is expressed in *dollars*. . ."[1] Moreover, all "United States coins and currency (including Federal Reserve Notes. . .) are legal tender for all debts, public charges, taxes and dues."[2] Thus, defining the noun "dollar" is necessary in order to know what is the "money" of the United States and what constitutes "legal tender."

2. Do the present monetary statutes intelligibly define the "dollar"?

The present monetary statutes do not define the "dollar" intelligibly.

a. *Federal Reserve Notes*. Most people mistake the Federal Reserve Note (FRN) "dollar bill" for a "dollar." But no statute defines or ever defined the "one dollar" FRN as *the* "dollar" or even *a* "dollar." Moreover, the *United States Code* provides that FRNs "shall be *redeemed in lawful money* on demand at the Treasury Department of the United States . . . or at any Federal Reserve bank."[3] Thus, if FRNs are not themselves "lawful money," they cannot be "dollars," the units in which all "United States money is expressed."

b. *United States coins*. The situation with coinage is equally confusing. The *United States Code* provides for base-metallic coinage, gold coinage, and silver coinage, all denominated in "dollars." The base-metallic coinage includes "a dollar coin," weighing "8.1 grams," and composed of copper and nickel.[4] The gold coinage includes a "fifty dollar gold coin" that "weighs 33.931 grams, and contains one troy ounce of fine gold."[5] Finally, the silver coinage consists of a coin that is inscribed "One Dollar," weighs "31.103 grams," and contains one ounce of ".999 fine silver."[6] What is the rational relationship between this "dollar" of 31.103 grams of silver, a "fifty-dollar" coin containing 33.931 grams of gold alloy, and a "dollar" containing "8.1 grams" of base metals? Obviously, these are not the amounts of the metals that exchange against each other in the free market—that is, the different weights of different metals do not reflect equivalent purchasing powers. So, on what theory are each of these disparate weights, and purchasing powers, equally "dollars"?

c. *Currency of "equal purchasing power."* The *United States Code* mandates that the latter question should not even be capable of being asked. For the *Code* commands that "the Secretary [of the Treasury] shall redeem gold certificates owned by the Federal reserve banks at times and in amounts the Secretary decides are necessary to maintain the equal purchasing power

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