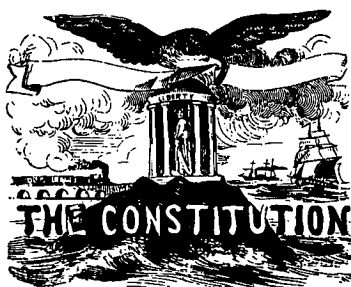


letting individual Americans decide whether they wanted to do anything to help “humanity” to the busybody state we now have was Wilson’s doing. Gamble’s analysis is razor-sharp. “Wilson was a gnostic revolutionary at the most elemental level in that he wished to repeal the past by waging war against the institutions of the past.”

Harry Truman’s star has been in the ascendancy in recent decades, with some historians putting him in the “near-great” category. Ralph Raico devastates that notion with his essay, “Harry S. Truman: Advancing the Revolution.” Far from the plain spoken man of common sense that modern admirers paint, Truman was a devoted statist disciple of Franklin Roosevelt, who was held back from many outrageous attacks on American freedom only because Congress balked at them. For example, when railroad workers went on strike in 1946, Truman wanted to respond by drafting them into the army. His Attorney General told him that the existing Draft Act didn’t give him that power, so a bill was hastily drafted and passed the House overwhelmingly. Fortunately, the Senate had the sense to reject the bill. Another shining example of the Truman mind at work is his proposal for a government takeover of the meat-packing industry when, owing to the continuation of wartime price controls, the nation faced a meat shortage. Raico writes, “ever the cheap demagogue, [Truman] pilloried the meat industry as responsible for the shortage.” The idea of nationalizing the meat industry was dropped only because it was seen as “impracticable.”

Those are but a few tasty morsels. Buy this fabulous book for the entire feast. ☐

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Investor Politics: The New Force That Will Transform American Business, Government and Politics in the Twenty-First Century

by John Hood

Templeton Foundation Press • 2001 • 308 pages
• \$24.95

Reviewed by David L. Littmann

What better way to strengthen the roots of capitalism than to give its participants a stake in the system! But how? This is the question John Hood addresses in *Investor Politics*. In a world filled with envy, largely reflecting hatred of capitalism’s wealth-building capabilities, it is refreshing to read the author’s optimism about what’s leading us away from the socialist trends of the past century and a half.

One might think of Hood’s thesis as trendy. After all, the past two decades have vindicated significant portions of his main theme: that most households are favorably disposed toward politicians whose proposals strengthen individual ownership and freedom to manage their own assets.

Starting with a wonderfully prescient quote from Thomas Jefferson, the author does the reader a great service by tracing the historical forces and individuals most responsible for the rise of America’s welfare state. He emphasizes the powerful political movements that arose in response to migrations of citizens from a largely agrarian economy to a dense, more specialized, and predominately urban society. As farmers on their own land and as entrepreneurial merchants in small towns, Americans lived rather self-reliantly, owning most of their capital and labor resources. But as technology and investment capital flowed into agriculture, productivity and output rose, rendering much farm labor redundant.

Hood contrasts the land- and home-ownership situation of a farmer with the condition of a worker facing weekly or monthly rent payments required for living in rapidly growing industrial cities during the second half of the nineteenth century. The

psychology and politics diverge sharply, based on such factors as self-employment versus employee status, and ownership of one's own land and tools versus paying a landlord and leasing tools and equipment owned by a capitalist banker or shareholder.

The author dates the hatching of America's cradle-to-grave welfarism with the writings of Edward Bellamy, the influential American journalist who wrote the utopian novel *Looking Backward*. But Hood is careful to chronicle the ways in which the foundations for America's welfare state had already been excavated by the time Bellamy achieved national notoriety in the late 1880s. Hood is at his best when organizing for readers the political threads that coalesced to give us today's welfarism.

Ironically from our current perspective, the Progressives were urban and voted for the Republican Party and the Populists were rural and voted for the Democrats. Hood explains how, by 1912, all political parties stood for increased government intervention in the economy. Proliferation of immense federal programs in the New Deal era marked a natural outgrowth of these earlier statist movements and the financial and employment insecurities exacerbated by the Great Depression.

Again, one testimony to the excellence of Hood's book is its historical continuity. He recapitulates for readers the squalor of congressional pandering to the "envy lobby" of a bygone decade. However, note that the pandering to envy described here occurred 40 years before the Depression. Specifically, Hood points to Populist calls in the early 1890s for a peacetime corporate income tax not to raise revenues, but to redistribute income, and the 1894 congressional enactment of the first personal income tax since the Civil War.

As coherent and helpful as the historical developments presented by Hood are, his chief mission in writing the book is captured in its subtitle, which might be paraphrased: "Ways to restore American self-reliance, responsibility, and limited government." From the introduction of 401(k) plans in the 1980s to welfare reform in the 1990s to

early 21st-century momentum aimed at restructuring and circumventing the public-school monopoly, Hood is convinced that the public has made a profound course change. Aided by economic growth and prosperity in the 1990s, the author sees a growing segment of the public becoming increasingly insistent on controlling their own financial affairs and increasingly disaffected by government's relentless assault on household incomes, assets, and private decision-making.

Hood is simultaneously convincing and entertaining: authoritative and educational in his proposals for generating permanent reform through greater individual asset ownership, and entertaining in how he uses history and empiricism to defrock political and economic charlatans. Citing the wisdom of Aristotle as his premise—"Great is the good fortune of a state in which the citizens have a moderate and sufficient property"—Hood details the virtues of individually owned medical and educational savings accounts, privatization of Social Security, elimination of income taxation, and more welfare and unemployment-related reform.

The author harbors no illusions that converting our entitlement mindset into an investor mindset will be quick or easy, especially with entrenched bureaucracies and constituencies. But he sees favorable trends.

In a hard-hitting "war room" segment, Hood outlines a six-point strategy for undermining the welfare state. The key it seems to me is the author's call to reformers to "clearly challenge the underlying immorality of writing envy into law." □

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Only One Place of Redress: African Americans, Labor Regulations, and the Courts from Reconstruction to the New Deal

by David E. Bernstein

Duke University Press • 2001 • 189 pages
• \$39.95

Reviewed by Charles W. Baird

Most black people believe that history demonstrates the necessity of labor-market regulations on their behalf. The message of this book is that the one place of redress blacks (and other minorities) had against discriminatory state and federal economic regulations was the court system guided by the principles of what came to be called, and later was excoriated as, *Lochnerian* jurisprudence. The free market, protected by the courts following long-established precedents, was the friend of black workers; politics was the enemy.

In 1905 the U.S. Supreme Court in *Lochner v. New York*, struck down a state regulation setting maximum working hours on the grounds of freedom of contract. From then until 1937 the Court frequently struck down economic regulations for that reason and because class legislation—which benefited special interests at the expense of others—was illicit. Conventional wisdom holds that Franklin Roosevelt’s 1937 defeat of *Lochnerian* jurisprudence (by his Court-packing threat) was a great triumph in the battle for social justice. To the contrary, Bernstein argues, Roosevelt’s triumph was a blow to the interests of blacks.

The first chapter of this well-researched book examines the emigrant-agent laws passed in several southern states to inhibit black workers from migrating from low-wage to higher wage states. Typically, the laws required the agents—who informed workers of better opportunities elsewhere, recruited them to relocate, and helped them do so—to pay exorbitant licensing fees and imposed severe penalties for failure to comply. Plantation owners and other employers in the out-migration states lobbied for such

legislation to keep their black labor force captive. The agents, however, were often able to overturn such laws in courts on *Lochnerian* grounds (even before the *Lochner* decision).

Chapter two focuses on the use of occupational licensing laws to discriminate against blacks in plumbing, barbering, and medicine. The Supreme Court upheld licensing of physicians in 1888 on public-health grounds. In 1921 the Court empowered state legislatures to set up licensing boards for other occupations with the authority to “determine the subjects of which one must have knowledge; the extent of the knowledge in each subject; the degree of skill requisite; and the procedure to be followed in conducting the examination.” In the cases of plumbing and barbering, white unions exploited the licensing statutes to exclude blacks. In medicine the 1910 Flexner report was used by white elitist medical associations to close black medical schools and prevent blacks even from sitting for licensure exams.

Chapter three explains how white unions were able to exploit the 1926 Railway Labor Act (RLA), which gave them monopoly control of the railway labor market, to overcome benefits received by blacks from various labor injunctions and “yellow dog” (union-free) contracts. Prior to the RLA, courts frequently issued injunctions against discriminatory practices of railway unions in labor disputes. These injunctions were a blessing to blacks who, for example, were able to replace white strikers. Union-free contracts often became opportunities: for blacks to take the jobs of white workers who were dismissed for violating their union-free promises. Both labor injunctions and yellow-dog contracts were upheld by the Supreme Court on *Lochnerian* grounds.

Chapter four tells how the 1931 Davis-Bacon Act was (and still is) used to decrease employment opportunities for blacks in the construction industry. The Act requires that “prevailing wages” (in practice, union wages) be paid to workers on construction projects financed with federal money. Excluded from white unions, the only way