

Libertarian Review

©1975, LIBERTARIAN REVIEW, INC.
VOL. IV, NO. 6—JUNE 1975



OMNIPOTENT GOVERNMENT THEORY AND HISTORY

Both by Ludwig von Mises



Ludwig von Mises' *Omnipotent Government* and *Theory and History* are the great laissez-faire economist's most neglected books, neglected even during the notable revival of the Austrian school in the last few years. Though the books are very different, there is one common denominator that may explain much of the neglect: neither work is, strictly speaking, "economics." In both books, Mises shows his breadth and depth as a social scientist by expanding into political science (*Omnipotent Government*) and the philosophy and methodology of the social

sciences (*Theory and History*). Yet it would do economists—notoriously, the narrowest of scholars—an enormous amount of good to read these works, and philosophically minded readers will benefit even more.

Omnipotent Government was published during World War II and was one of Mises' first books written in English. It is essentially an analysis of the basic nature of the Nazi and Fascist states. At the time it was published, it was read widely in political-science circles as the major antithesis to the then prevalent Marxian analysis of fascism and nazism: namely, that they were the "last stage" of capitalism—in which the "capitalist class" called on the State to maximize its repression in order to terrorize Marxists and the "working class" movement. Mises was one of the first analysts to attack this concept, and to show that nazism and fascism were totalitarian collectivist systems which had far more in common with communism than with free-market capitalism. And, what is more, they were the logical outcome of the galloping statism and militarism of the pre-fascist societies. Mises' linkage of fascism with Marxian socialism was a shocker in the Marx-laden intellectual world of the 1940s, and it paved the way for the Arendt-Friedrich conception of "totalitarianism" as the common linkage of the three great statisms of the twentieth century.

There is an inevitable, though unfortunate, war-time flavor to the work, and Mises' occasional dicta on European foreign policy have been outmoded by the later findings of revisionist historians. But his linkage of the totalitarian countries as common examples of aggravated statism remains, of course, perfectly sound, as does his insight that the only viable alternative to the interventionist-collectivist path is laissez-faire capitalism, the free-market economy and free society.

While *Omnipotent Government* remains highly useful to the present-day reader, *Theory and History* is more than useful; it is one of Mises' greatest works, and indeed one of the great works in this century on the

philosophy and methodology of the social sciences. Its neglect is no less than an intellectual tragedy. The central theme of the work is the proper relationship between "theory" and "history" in economics and in all the other social sciences. Implicitly refuting all of modern determinist (including mathematical) economics and other social sciences, Mises shows that each event resulting from the action of individual human beings is necessarily unique. Each event of human history, while of course similar and related to other events, is the unique resultant of the changing and differing values and ideas of myriads of different individuals, each person having his own knowledge and motivations. Hence, these events cannot be treated as homogeneous, random units which can be classified and manipulated to arrive at quantitative laws of history or of social science. Therefore, the applied social theorist is not a "scientist" who can precisely forecast the future; the best he can do is explain and weigh events as an "artist" and make tentative qualitative, rather than quantitative, predictions. Adherents of the Austrian school of economics have been accused of being antiempirical, mystical a priorists, divorced from economic reality. But a thorough reading of *Theory and History* reveals quite the opposite; it is the Misesians—the Austrians—who have the proper respect for the unique, empirical events of human history, whereas it is the pretentious quantitative "economic scientists" who necessarily abuse and distort the rich empirical facts of history in order to arrive at their allegedly "scientific" quantitative "laws" and (invariably wrong) forecasts of the future.

But this bald statement can scarcely convey the richness, the brilliance, the insight with which Mises establishes his view of the proper relation between theory and history, and with which he demolishes the various schools of spurious "scientists" of human history. In the course of the work, Mises sets forth devastating critiques of the historicists, the positivists, the Marxists, and determinists generally, and counters with an excellent defense of freedom of the will in human action. The only weak part of the book is Mises' defense of subjectivist ethics, a position stemming from his utilitarian approach to ethics. But this is the only weak spot in a glorious and highly significant work. It is vitally important that *Theory and History* take a place in renown and influence with Mises' other great masterpieces, *Socialism* and *Human Action*. The full force of Mises' great contributions to human knowledge—and to libertarianism—cannot be understood without immersion into *Theory and History*. REVIEWED BY MURRAY N. ROTHBARD / *Political Philosophy* / *Omnipotent Government* (291 pages) / LR Price \$8. / *Theory and History* (384 pages) / LR Price \$10

TIME ON THE CROSS

By Robert W. Fogel and Stanley L. Engerman



This is a book for many readers, not the least those of us who enjoy seeing the validity and persuasiveness of rigorous economic theory justified and proved in unexpected ways. For, while *Time on the Cross* debunks and disproves almost the entire set of myths and invented beliefs about the history of American black slavery, it is also quite significant for its proof of the power of economic logic.

A brief review of the principal concerns of the work includes, to mention a few of the more salient issues, such (still) popular beliefs as the

systematic, brutal mistreatment of slaves; their relegation to the most menial, onerous, and dangerous jobs; indiscriminate tearing apart of slave family units; the unprofitability of the slave-plantation system; sexual abuses by white slave owners of female slaves; and the existence of "breeding farms" to mass produce slaves for the market. In the authors' words, "it is widely assumed that the plantation regime under which most slaves lived was so cruel, the exploitation so severe, the repression so complete, that blacks were thoroughly demoralized by it. In this view,

blacks were virtually cultural ciphers until they obtained their freedom in 1865."

The evidence, however, is very much to the contrary. Twenty-five percent of male slaves were managers, craftsmen, or semiskilled workers; the treatment of slaves was precisely what any economist would assume (and should long ago have been suggesting) for a valuable piece of capital equipment, i.e., solicitous concern not to injure or abuse the asset while maintaining it in good working order; families and close family ties were strongly encouraged and preserved; and the stories of sexual abuse can only be described as a rather obscene form of pure propaganda.

The energy value of the diet of the slave population was, on average, 10 percent higher than that of all United States whites; they lived overwhelmingly in single-family dwellings; they received, for their day, above average medical care and clothing; and less than 2 percent of all sales of slaves represented anything other than the breaking up of plantation establishments.

These then are some of the principal propositions advanced by Fogel and Engerman that have caused emotional arguments, abusive name-calling, a few pushes and shoves, and other unkindly things to occur in the

(Continued on page 2)

"scholarly discussions" of this seminal work. Many conventional historians who neither understand nor appreciate objective economic studies have felt personally betrayed by interloping economists (whether they were also historians or not) who threatened their intellectual security. The professional apologists for the intransigence of black economic recovery are dismayed at the loss of the principal foundation for their "sociological" rationalizations, and just about everyone (including me) has more or less reservations about the statistical techniques of the new breed of historians called "cliometricians."

I include myself in the last group because it seems to me that in many respects the work would have been stronger, not weaker, had the authors relied more on offers of nonstatistical economic proof of many of their propositions. For while I must admit that I often delight in (and generally only trust) statistical studies consistent with what I view as sound economic theory, in this case the authors apparently intentionally chose to avoid most nonempirical proofs. A nice opportunity was lost to teach historians some basic economic theory. Certainly, however, that is a sign of the times, and the market works as much for economic styles as for styles of dress. *De gustibus*, perhaps? At any rate, the hard data and the econometric details are all relegated to a second volume, which is not being directly reviewed here.

The absence of a more a priori approach to their subject may, however, have prevented the authors from noting some intensely interesting points about their own findings. For example, the authors conclude that "the average net rate of the expropriation of slave income [was] about 10%." Imagine, only a 10 percent tax rate on income; and that was slavery! But let me not be misunderstood; few of us would trade our 72 percent marginal rates and those rights we still retain for a 10 percent rate and the life of an ante-bellum black slave. But what is clear from the book, without the authors ever articulating the point, is that if state governments had not strictly enforced rules against such contracts, slaves could have purchased their own freedom in fairly short order. There is no obvious reason to believe that such contracts would not have been frequently entered into, since slaves could and frequently *did* simply work harder or longer to earn extra pay at the free-market price. Thus they could have increased the present wealth position of their owners while gaining their own freedom. Government interference with voluntary agreements that slaves and slave-owners would otherwise have entered into seems to have been a fundamental basis for the perpetuation of the odious slave system. But the story has come down to us through traditional intellectual channels with the capitalist owners as villains and the state not credited with playing more than a minor policing role in the whole mess.

Fogel and Engerman for their part seem a bit too quick (with less evidence or logic than they muster elsewhere) to conclude that the problem with both abolitionist and pro-slavery writers alike was that they suffered a deep and abiding sense of black racial inferiority. That this belief was endemic in the nineteenth century is hardly news, but perhaps the authors attribute relatively too much causal force to this belief and too little to the effects of government intervention.

One of the most fascinating points we learn about slavery is one that

has recently been made about modern prison societies as well (again predictable by a priori economics). Rarely is anyone completely enslaved or made a "complete" prisoner. The costs of doing so are usually too high for the "policers." Prisoners are in a position, by virtue of promises to behave in a certain manner, to negotiate "laws" or agreements with their guards in exchange for some leniency. And so it was with slaves and their masters. As economics would imply, to the extent that these policing costs can more cheaply be privatized or internalized, as with slave owners or prison guards, the harshness of the restraint system will be lessened. The greater harshness generally accorded prisoners today compared to ante-bellum slaves is merely additional evidence that government operation of any system makes it more costly to internalize costs and therefore to reach more optimal arrangements. Who would have thought that we could add to that great truth, "the market will provide," an epilogue: "even something for slaves"?

The authors are at their weakest when they attempt to explain the failure of blacks or whites to organize and administer large-scale, profitable, non-slave farms after the Civil War. Having demonstrated that the plantation, gang-labor, slave system was profitable, they offer us no very convincing reason why the market should have failed to function just as efficiently to produce agricultural commodities profitably on a voluntary basis. The authors seem almost content with the conclusionary statement that economies of scale could only be achieved with slave labor and that "free labor was a very poor substitute for slave labor." This would seem to be inconsistent with their findings of the amount of expropriation of slave income by owners, and would suggest that they were using, at best, a misleading measure that omitted a significant additional cost of slavery as measured by its victims.

Again, however, there is an alternative explanation consistent with the authors' statistical findings and based on a point merely alluded to without much emphasis. There are strong hints of interventionist state laws that can explain the apparent anomaly. First, as the authors note, the alternative to slavery in the ante-bellum North and South was not freedom in any full libertarian sense of the term, but rather a "quasi-freedom," where governmental restrictions on activities abounded and where governmental protection of blacks from civil harm was almost nonexistent. Thus the slave system may have been economically successful compared to its post-slavery counterpart not because the slave system was inherently more productive, as the authors suggest, but rather because state governments simply would not provide the necessary conditions of freedom under which ex-slaves might have flourished at least as well as they had under private ownership of themselves by others. Again we see the moral that might be drawn from this work: if you have to be a slave, it is probably better to be the slave of an individual than of a State.

Time on the Cross is rich in intellectually stimulating fare for libertarians and non-libertarians alike. It is a truly significant piece of scholarship appearing at a most propitious moment, for it may be a good time for all of us to be learning more about the "peculiar institution" of slavery. *Time on the Cross* gives any thoughtful person cause to consider whether we are not all now being herded into the sort of impoverishing "quasi-free" system that blacks faced in 1865. The picture is not a pretty one from any angle. REVIEWED BY HENRY G. MANNE / *History* (304 pages) / LR Price \$4.95

FAIR ENOUGH: THE LIFE OF WESTBROOK PEGLER

By Finis Farr

To him, John F. Kennedy was a "low-browed donkey with the honor of a pickpocket." Of Bobby Kennedy, he prayed that "some white patriot of the Southern tier will spatter his spoonful of brains in public premises before the snow flies." He loathed Jews.

But that was the meat-axe Westbrook Pegler at the bitter, bitter end, when the once-grand old phrase-maker, who could perform frontal lobotomies on political big shots without their even knowing it, was reduced to writing for such awful rags as *The Councilor*. Sad, sad, sad: a mechanical Pegler harping perpetually on wornout themes, a brain-weary, gut-shriveled old man who—in Finis Farr's marvelous description of the end—still "tormented himself as he continued to strain for that terrible and never satisfactory word, the last word."

Regrettably, that is the Westbrook Pegler that his enemies, who are legion, have perpetuated in the public's mind. But there was another Pegler—the real Pegler: gracefully iconoclastic, wittily tough but not mean, fearless in the face of mob fancies, wary, oh, so wary of generals and princes and popcorn moguls. At his best, he could write with H. L. Mencken.

This fine book brings back that earlier Pegler—may his memory live forever—in an entertaining, nostalgic, nicely balanced profile. But to tell the truth, much as I enjoyed the Pegler that comes off these pages, I enjoyed Farr just as much. Indeed, he sometimes sounds like a latter-day

Pegler. Listen:

"House [President Wilson's sycophant] bore the title of colonel, the rank of any Southern white man who had not served prison time on a morals charge."

Or, "The Mafia stood Hoover on his head for thirty years while his men would occasionally surround some rustic gunman, like John Dillinger, and shoot him full of holes. What Hoover did succeed in doing was to establish a national secret police force, which might be a greater menace to our liberties than it now is if there had ever been any first-rate minds connected with the running of it. Fortunately there were none, a fact which Pegler senses when he dismissed J. Edgar Hoover as 'a night-club fly-cop.'"

Or, "It was sobering to live among people for whom an important part of life had come loose from its moorings and disappeared, like a barn ripped from a low-lying field by a Mississippi flood. The more I thought of it, the less funny it became [that is, Nixon's betrayal of the people who believed in him]. For I realized that something had happened to me, too: the last traces of my pride in being an American had vanished."

When Farr wrote that, I knew he would not disappoint me; and he didn't. Pegler would surely have considered Farr perfect as his biographer, and so, I dare say, will you. REVIEWED BY ROBERT SHERRILL / 236 pages / LR Price \$8.95