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SUBSCRIPTION RATES: Single copies, \$2.00. Subscriptions: one year (12 issues) in the United States, \$19.50; 2 years, \$34.00; 3 years, \$45.00. Other countries: add \$2.00 extra per year.

BACK ISSUES: Write for back issue list for current prices. Volumes 1-4 are available on microfilm from University of Southern California Library Micrographics Dept., University Park, Los Angeles, CA 90007. Volumes 5 and up are available from Xerox University Microfilms, 300 North Zeeb Road, Ann Arbor, MI 48106. Indexed in *Historical Abstracts* and *America: History and Life*.

• **FOUNDATION ACTIVITIES.** A conference exploring normative issues related to government regulation will be co-hosted by the Reason Foundation and the Department of Economics at the University of California at Santa Barbara, as part of the Liberty Fund's program. The conference, to take place this fall, will be a three-day gathering of scholars in the fields of law, economics, and philosophy and will be codirected by Tibor R. Machan of the Reason Foundation and M. Bruce Johnson of UCSB's Economics Department. Further details will be reported in coming months.

Issue No. 5 of REASON PAPERS, the Foundation's scholarly journal, is now coming off the presses. This issue features papers on the Austrian economists' claim to a praxeological heritage, the methodology of Hobbes's political theory, von Mises's concept of time-preference, aesthetic judgments of fiction, the proper relationship between virtue and liberty, and other topics. REASON PAPERS fills the need for a journal that encourages dialogue among those in the various fields of normative studies, with a special focus on the value of liberty.

Fund-raising activities to date have been modestly encouraging. Our appeal to subscribers for year-end contributions brought in over \$5,000, for which we are very grateful. In addition, a corporate public-affairs department contributed \$1,000, and a foundation has made a grant of \$10,000. Another individual has underwritten the production costs of REASON PAPERS No. 5. Several other foundations have expressed interest in our activities and requested further information. Although we're still a long way from our \$91,000 first-year goal, the trend is very encouraging. Several new projects will be announced shortly.

• **MORE EDITORS' ACTIVITIES.** Robert Poole's article, "Looking Back: How City Hall Withered," appeared in the December issue of the *Futurist*, the magazine of the World Future Society (P.O. Box 30369, Bethesda Branch, Washington, DC 20014). The article is a future scenario of a "typical" southern California community that phases out virtually all of its local government by the year 2000. A slightly different version of the article will form the last chapter of

Poole's forthcoming book, *Cutting Back City Hall*, due out later this year.

• **STRAWS IN THE WIND.** Most people are aware of the welcome changes that have taken place at *Harper's* under editor Lewis Lapham in the last few years. That magazine has punctured many a liberal balloon, especially that of "leisure-class environmentalism." But now some amazing things are taking place at rival *Atlantic Monthly* as well. In July, Editor Robert Manning penned the following: "I am becoming enamored, too, of the pre-Keynesian notion that there is only one real cause of inflation—that is, the printing of money in quantities above and beyond what is justified by real gains in production and productivity. Isn't it becoming evident that inflation in the name of social progress isn't producing much progress and is stealing my money and my family's money—and yours—while at the same time undermining the government's ability to govern?" This was followed in December by an "Adam Smith" (George Jerome Goodman) article on energy and hyperinflation. That piece concluded with a New York banker (and ex-Treasury official) lamenting his role in cutting the dollar loose from gold, juxtaposed with Pearl Buck's description of the nightmarish results of the German hyperinflation of 1923. It looks as if economic sanity is breaking out amongst the intelligentsia.

• **MUSICIAN DIES.** It is with regret that we note the death of well-known jazz trumpeter and composer Don Ellis on December 17 at his home in North Hollywood, California. Ellis, 44, succumbed to a heart condition that had forced him to curtail his career over the last few years. In the late '60s and early '70s, however, he led his big bands through brash and inventive experiments in tonality and rhythm that should have effects on that art form for years to come. To a broader populace he is remembered for his movie scores, most notably for *The French Connection*. Ellis also was a friend of the Libertarian Party. And among the fine things that will be remembered about these early years of the party will be the fact that Ellis led what had to be the most talented of election-rally bands at MacBride headquarters, election night, 1976. He will be missed.

—R. P.

LUDWIG von MISES

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John Chamberlain

The BASIC READER contains 81 articles carefully selected to help develop the ideas presented in the SYLLABUS. They include several written by Ludwig von Mises, Percy L. Greaves, Jr., Henry Hazlitt, Leonard E. Read, and Hans Sennholz.

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editorial

What are we to make of Jimmy Carter's stunning about-face on US policy toward China? Most liberals (including Gerald Ford and Richard Nixon) praised the move, calling it a recognition of reality. Most conservatives denounced it, as the spurning of an ally for an enemy and a usurpation of Congress's treaty-making authority. Both views, it seems to us, are off-base.

To begin with, the conservatives are on target in criticizing Carter for abandoning Taiwan (though not for recognizing China). It is quite true that the Nationalist dream of retaking the mainland and its claim to be the true government of China are mere fantasies—fantasies that US policy tacitly encouraged up till now. But facing those realities need not have meant accepting—as Carter did—the Chinese claim that “there is but one China and Taiwan is part of China.”

The fact is that Taiwan is a *country*, in every sense of the word. Economically, it ranks second only to Japan in all of Asia. In 1978 its economy grew by 13 percent, with inflation of less than 7 percent and unemployment of only 2.5 percent. Taiwan's exports totaled \$12.5 billion last year—more than double those of China. Yet that incredible output was accomplished by only 17 million people, compared with an estimated billion in China. And despite the fact that only 22 governments now maintain full diplomatic relations with Taiwan, it engages in trade with 140 countries.

Carter *could* have held out for a two-China policy—a policy of full, normal diplomatic relations with both China and Taiwan. The Chinese government had far more to gain from “normalization” of relations than did ours, given Teng Hsiao-p'ing's urgent drive to modernize the country and bolster it against Soviet threats. Expanded US trade, free of political restraints, is essential to Teng's campaign for the Four Modernizations. A tough, professional negotiating stance by Carter and Brzezinski would very likely have yielded concessions on this point—especially if linked to a phase-out of the US-Taiwan defense treaty.

Indeed, a US policy that insisted on full recognition of the legitimacy of the Taiwan government, and allowed continued sale of US arms for its defense, indefinitely, would probably have done as much to guarantee Taiwan's survival as would continuation of the treaty itself. It is doubtful that the Chinese would take lightly the presence of an official US embassy, together with hundreds of American industrial plants. Would they mount an attack on Taiwan that could be interpreted as an attack on American officials, personnel, and assets?

Holding out for such a policy would have earned Carter no points with professional liberals but would have gained the respect of decent people both here and abroad.

Nevertheless, despite the weakness of Carter's deal, the future of US-China-Taiwan relations may not be as bleak as it appears to many conservatives. To begin with, Taiwan's very economic strength—and the interests of its 140 trading partners—may spare it from outright Chinese attack. Not to mention the Taiwanese air superiority over the 100-mile Taiwan Strait and China's present lack of amphibious troops and landing craft.

The turmoil now taking place in China offers further hope that the rhetoric of reuniting “all of China” may give way to more important economic realities. In the past few months, wall posters in Peking and other cities have openly praised the economic achievements of, first, Japan; later, the United

States; and even . . . yes, hated Taiwan. In Tien An Men, for example, one poster last December acknowledged that “Taiwan now has one of the highest standards of living in all of Asia. Why is it that our national economy has not been able to catch up with the one controlled by the Chiang Kai-shek clique?” Even six months earlier, to raise such a question would have been unthinkable.

Besides such minor straws in the wind, and questionable Peking assurances that it will not invade Taiwan, there are two solid precedents for a policy of peaceful coexistence between China and its prosperous neighbor. The first is that in the past few years China has learned to live in harmony with its ancient enemy, Japan. Not merely wall posters but official pronouncements, from Vice-Premier Teng on down, endorse the idea of learning from Japan, of borrowing not only technology but other aspects of industrial organization. The *Kwangming Daily*, journal of China's educated class, has predicted that China could “advance by leaps and bounds” by following Japan's example. Since the resumption of diplomatic ties in 1972, 150,000 Japanese business and professional people have visited China and 10,000 Chinese have traveled the other way. Two-way trade has soared from \$1 billion to \$3.49 billion, and a new eight-year trade agreement should lead to another doubling shortly. Taiwan's economy closely resembles that of Japan of about a decade ago. It would make an equally logical Chinese trading partner.

The other precedent for coexistence is a “nation” that is something of a Taiwan-in-miniature: Hong Kong. Though nominally a British colony, Hong Kong is considered part of China by the Chinese; the Peking regime has never accepted the legality of the 19th-century treaty ceding the territory to the British. And although the tiny colony is defenseless against a Chinese takeover, such a move has not happened—and *will not*. Why? Because it is in the interest of the Chinese to leave Hong Kong alone. Through supplying the colony's food and water, and operating a growing network of banks, shipyards, and factories, China is earning over \$2 billion a year from Hong Kong. And the pragmatic Chinese are unwilling to tamper with the colony's success by imposing political or economic controls—even though they claim its territory.

Will Teng Hsiao-p'ing and his technocratic allies recognize Taiwan's similar value as a freeport and window on the world? Or will they allow ideology and national pride to prevail? No one can say for sure, but at this point, it looks as if economists and technocrats have the upper hand. If they continue to hold it, the odds are good that they will allow free-trading, entrepreneurial Taiwan to become a sort of super Hong Kong. Close contact with such a trading partner would bring the Chinese face-to-face with the benefits of free-market economics.

More than anything else, what Asia needs now are two, three, . . . many Hong Kongs. And Taiwan is ideally suited to such a role. Let us hope that, despite Jimmy Carter's sell-out, Taiwan will be free to become the super freeport of Asia.

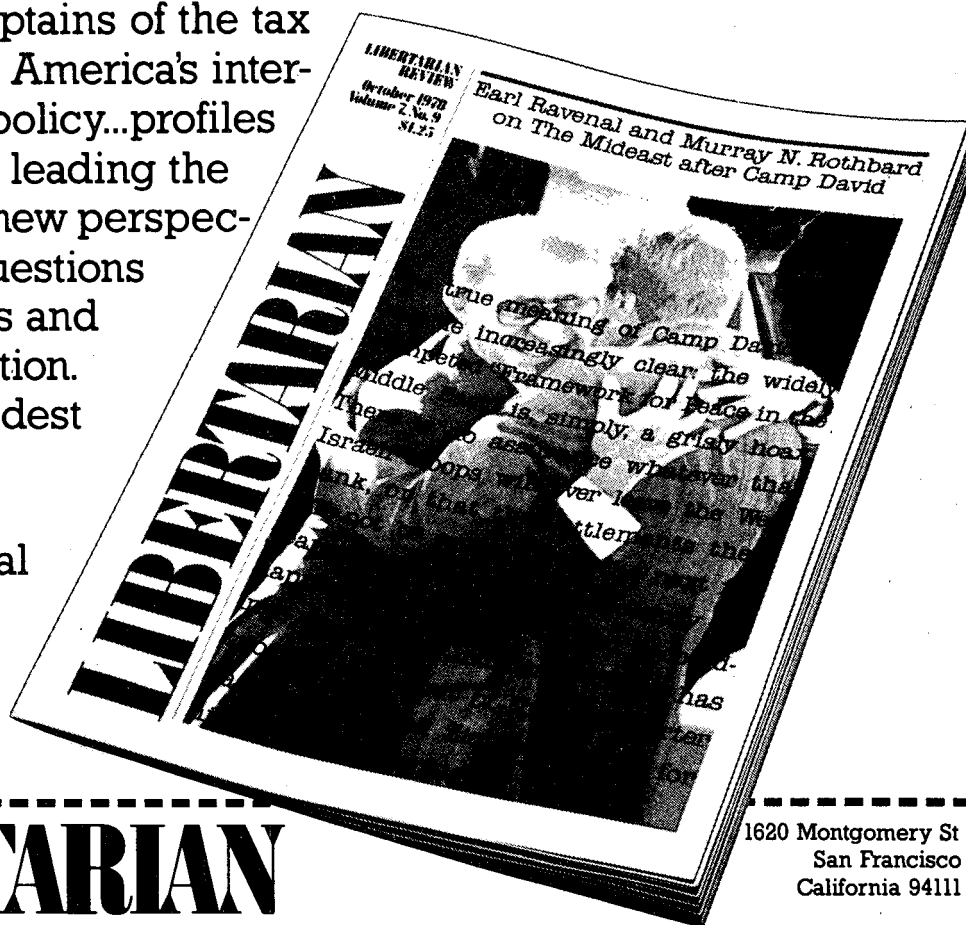
Robert Pool, Jr.

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Primal Points

As Cheri Adrian acknowledges in her generally insightful review [December] of R. D. Rosen's *Psychobabble*, a lot of nonsense is being sold today in the name of psychology. But Rosen's book is itself a part of that nonsense, at least in regard to his unfounded inclusion of Arthur Janov's

Primal Therapy on his shopping list of "pop" psychocults.

Certainly, many of the proliferating weird new therapies of the '70s are anti-rational, subjectivist, authoritarian, jargonized, simplistic, and complacent, often claiming quick cures and total fulfillment. But Primal Therapy is none of the above.

REASON readers should know better

than to be taken in by Primal Therapy's superficial talk-show image of a "scream-your-way-to-instant-catharsis" cure-all. We've seen how the media can trivialize, distort, and vulgarize our own ideas; we should not make the mistake of judging a new therapy, philosophy, or social movement by what we know of it from Barbara Walters, the *New York Times*, and *People* magazine.

As Adrian suggests, the proper response to what appear to be wildly inflated claims is a healthy skepticism. Undoubtedly some of Janov's theoretical formulations can be rationally criticized. His earlier writings tended to be anti-intellectual, and underestimated the complexities of human psychology. Some of his conclusions are extrapolated beyond what is justified by his research, particularly when he moves out of his own field of expertise into sociology, economics, and philosophy (though libertarians will be intrigued to discover Janov's argument that a Primal society will be a society without government).

But skepticism carried to the extreme of refusing to face reality is *not* healthy. REASON readers ought not to rely on Rosen's fast talk, but should check out the evidence first-hand. Janov's latest and most developed work is reported in *Primal Man: The New Consciousness*, co-authored with neurologist Michael Holden.

It is my contention that Primal Therapy is not a "psychotherapy" at all, but the first psychophysiological therapy, which offers a way out of mind-body dualism.

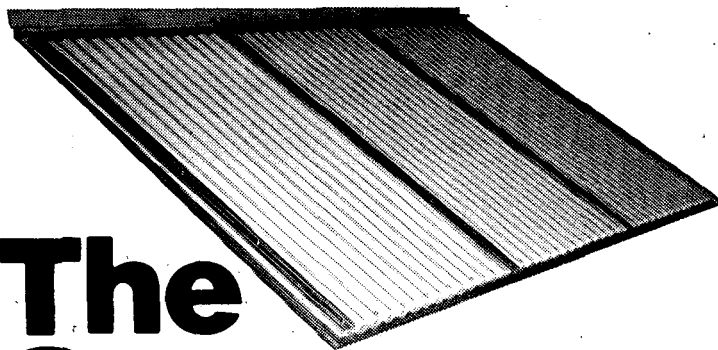
Thomas Szasz, and other skeptics, please take note: Mental illness is not a myth. It's as real as the human nervous system.

Michael Grossberg
Austin, TX

Questionable Optimism

It is unfortunate that some of the libertarian movement's most respected intellectuals are promoting some very questionable attitudes. I refer to the positions of Rothbard as advanced in his December Viewpoint.

First and most important, the Marxist-Leninist concept of the dialectical nature of history has several serious flaws: if the victory of libertarian ideas is so inevitable, why should I and my fellow LP activists



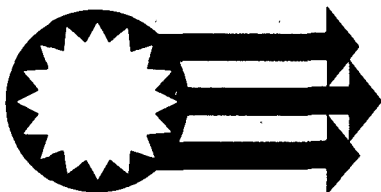
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