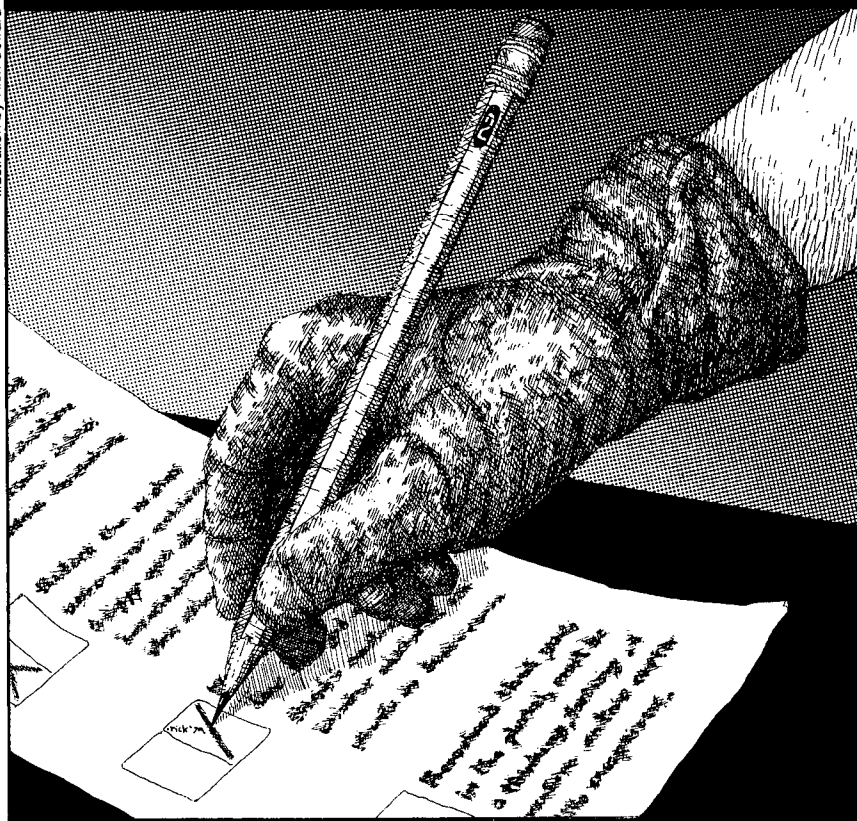


PRIVATE VOTING

Instead of voting for politicians,
NFIB members vote on issues.
They're showing how to get things done,
without shifting power to the State.

BY DEREK BROWNLEE

Illustration by Rick Seward



YOUR SIX-WEEKLY BALLOT has arrived in the mail. What issues await your consideration this time?

- *Do you favor or oppose taxing oil companies on the "windfall profits" they will receive from the deregulation of domestic oil prices?*
- *Do you favor or oppose creation of an Energy Security Fund to finance research and development in new energy technologies?*
- *Do you favor or oppose the continued development of nuclear power as an energy source for the United States?*
- *Do you favor or oppose removing the price controls on gasoline?*
- *Do you favor or oppose the mandatory rationing of gasoline during an energy crisis?*

Background information and arguments pro and con are provided. You make your decisions, mark your official card, and add comments to your congressional representative, returning them in the envelope provided.

Your opinions and those of the half-million others in your interest group have an immediate impact in the political arena. Government encroachments are beaten back. You see legislation favorable to your interests. Occasionally you get a tax break.

Eight times a year you get to vote on five current issues, some of them needing immediate attention. And you get action.

SMALL-BUSINESS POWER

This is not a vision of the future or some utopian blueprint for direct democracy. If you were a member of the National Federation of Independent Business you would have received the above ballot on energy policy in May 1979 and would already enjoy this effective political representation.

While other citizens' lobbies fight a losing battle with the political system, winning occasional victories only by extreme efforts, the NFIB quietly delivers the goods: action to promote, or more often to kill, legislation and regulations that affect members' interests.

Founded in 1943, the NFIB employs the traditional tools of business and trade association lobbying: alliance with other business interests; deep and continuing involvement with the political process in Washington and the state houses and with public education, media communications, and political opinion making; as well as responsiveness to client needs. Part of what makes the NFIB different is "the largest individual membership of

any business organization in the United States"—581,000 small-business people fighting the ravages of proliferating taxes and government regulations and ready to follow NFIB's voting recommendations at election time.

The way the NFIB is developing this political resource is what really makes it different—and provides an interesting lesson in democracy. The NFIB's members may well be the best-represented group of ordinary citizens in history.

"Our membership sets our policy," states the NFIB's George Burger, retiring director of federal affairs. A research staff in Washington sniffs out legislation affecting small business in its early stages. Five issues are selected to put to the membership in the next issue of the *NFIB Mandate*, a slim newsletter sent out every six weeks. (See sample question in box.) The results of the poll appear in the next issue of the *Mandate*. You can see how members responded to the May 1979 poll (second box).

The returns shape the NFIB's lobbying policy on those issues. The legislators involved are sent the results—the percentages of NFIB respondents for, against, or undecided—and are also informed before every key vote whether it's going to count in the NFIB's "How Congress Voted." This preelection tally, sent to all members and given wide publicity, states the percentage of times each legislator voted in accordance with the NFIB membership's policy.

The political circuit is closed. Not only do NFIB members' votes count, but their opinions on 40 issues a year are heard and responded to. Instead of casting their vote to the winds and crossing their fingers like the rest of us, they retain their political power and channel it through their own private voting system.

ATTACKING ON ALL FRONTS

While the *Mandate* poll is the most striking of the NFIB's instruments of power, it is backed up by a full range of more common lobbying techniques. Its 1978 *Action Report* cites the NFIB's "aggressive lobbying campaign" on behalf of the 1978 tax cut, a campaign incorporating "economic research, personal visits to congressional members, and comprehensive testimony in committee hearings and debates." By graduating the corporate income tax, the tax bill, claims the NFIB, is saving small business \$1 billion annually.

Its recent lobbying efforts failed to stay increases in the minimum wage, Social Security taxes, and inflation, but it is working with some success to exempt

small business from the mounting burden of government regulation and paperwork. Extension of union power by government action has also been successfully resisted. National health insurance, if financed in whole or in part by employers, is opposed, since many small businesses just barely survive as it is. Many owners can't even afford health insurance.

A case worker in Washington handles members' individual problems, which can set useful precedents on occasion. When NFIB member F.G. "Bill" Barlow, owner of a plumbing and heating business in Pocatello, Idaho, refused entry to an OSHA inspector without a search warrant, his case went all the way to the Supreme Court, where the NFIB filed a brief as a friend of the court supporting Barlow's position. The Court decided in Barlow's favor. Employers' constitutional freedom from unwarranted searches has been successfully upheld against a new government encroachment.

It might seem that business interests control the political currency, but the main beneficiary is really the State.

The NFIB often takes the lead in forming ad hoc alliances to influence legislation or promote political education. It headed the efforts of 400 groups in the successful fight against common situs picketing (the "one out, all out," or secondary boycott, rule that cripples industry in Britain and other countries). And it joined with the National Association of Manufacturers and the US Chamber of Commerce in sponsoring eight regional conferences on Political Action Committees (PACs). PACs are set up by employers to encourage employee contributions to electoral campaigns, especially those that help their business.

PRACTICAL LIBERTARIANISM

The NFIB, deriving its position from member polls, lines up on the side of economic and regulatory freedom more often than big business, not to mention the other popular lobbies. The independent business person, more than any specialized corporate bureaucrat, is exposed to the full horrors of big government. For small business today, survival requires a practical form of libertarianism, whether or not the philosophic understanding of

freedom is there.

"Libertarian?" Frank Thomas, the 67-year-old director of membership involvement, seems unfamiliar with the term. It does not enter into the definition of his target group, the four million businesses that are both small and independent. Every year, those four million are contacted by the 500-strong nationwide sales force, which accounts for most of the NFIB's expenses. For the \$50 or so that its typical business membership costs, the NFIB offers to the busy, beleaguered business person a chance to be heard, to do something.

Many members see themselves on the firing lines in the rout of the American way of life. It's a question of values, personal values such as hard work and initiative and responsibility, routinely denied by the social and legal environment they have to work with. When people talk of the need for another American Revolution, they have in mind reestablishing these very principles of free enterprise and personal responsibility.

What the NFIB does is convert such revolutionary sentiments into revolutionary action. Whether the label is acknowledged or not, this is a potent libertarian force. And even if it has made little dent so far in an opponent as formidable as big government, its methods and structure are revolutionary. If NFIB members can withdraw their power from the government and vote privately, so can the rest of us. *That* would be a revolution.

Yet few members are aware of the value of their private franchise. Less than 20 percent return their *Mandate* ballots. Rich Farana, director of communications, is particularly concerned about that, and a new-format *Mandate*, separately mailed without other NFIB materials, is expected to yield a higher return.

REWARDING PARTICIPATION

Farana's concern that members exercise their private franchise is significant. Many businesses and organizations poll their clients from time to time to find out what they want: what changes in products, services, or policies are called for to keep their customers. But the NFIB is demonstrating that the membership poll can be developed into much more. It is a source of political raw material. In the power brokering of politics, such information has political and economic value. It pays the NFIB to solicit membership opinion.

This is an interesting reversal in the political process. Everyone else in politics has to pay to be heard. NFIB members themselves have to pay from \$35 to \$500

5 Gasoline Rationing

Do you favor or oppose the mandatory rationing of gasoline during an energy crisis?

Background

Congress has been considering how to distribute gasoline in case of a severe shortage. The type of system most frequently discussed is rationing. Under that type of program, ration coupons would be given to eligible people, with some adjustments for business needs.

Another possible program is allocation of gasoline to service stations and bulk users. This method was used in 1973. Recipients would receive a percentage of their customary sales or consumption and then would sell or distribute it as they pleased.

Issue

In the event of a gasoline supply shortage, should mandatory rationing of gasoline be imposed instead of mandatory allocation?

Favor

In the event of an energy crisis, rationing is the fairest manner of distributing gasoline. Individuals and businesses alike would receive rations in proportionately equitable quantities.

If gasoline allocations were merely curtailed at the service stations, the ability to obtain gasoline would be based on a first-come, first-served basis. Not everyone would be assured of obtaining even a minimum amount of gasoline. Moreover, the latter system would create long, disorderly waiting lines.

The rationing system allows those who need gasoline for business purposes to obtain what they need in order to conduct business, while minimizing excessive gasoline consumption.

Oppose

Implementation of a rationing system requires creation of a mass bureaucracy to administer the program. Such a program would cost large sums of tax dollars to pay bureaucrats at a time when we are carrying a huge federal deficit. An allocation system, on the other hand, could be implemented speedily since upon notification, oil companies would be told to curtail allotments of gasoline to service stations and bulk users.

A rationing system is cumbersome and takes a great deal of time to implement, which is self-defeating in an emergency.

Favor Oppose Undecided
☐ ☐ ☐

per year to be heard. But having paid to plug into the political system, they now find that their further participation reduces costs and is thus actively solicited.

Systems engineers will immediately recognize this as a positive-feedback, self-amplifying process. If the NFIB were to credit members with \$1 per response, deducted from their membership dues, they would demonstrate the truth of this statement. If it *pays* for citizens to participate in the democratic process, then participation will tend to take off in exponential growth.

Historically, citizen participation has always been costly. With negative rewards, the fires of anger or idealism are soon damped, movements go bankrupt, individuals burn out. With negative rewards, participation stays at a stable, near-zero level.

Now, we could be on the threshold of positive rewards. The NFIB, whether unintentionally or by design, has evolved the structure to do it. Whether or not it goes on to offer participation incentives is immaterial. Since the potential is there, it is only a matter of time before other political organizations step in and take advantage of its revolutionary methods.

POLITICAL CURRENCY

The vote is free, but not worthless. Nonvoters, currently around 50 percent of the electorate, say it's worthless to them. But the expenditure of time, effort, and money that goes into soliciting our votes suggests that they are worth something to those we give them to.

How much? The \$900 billion in annual government spending (federal, state, and local) that we are authorizing these days is a good place to start. Let's be charitable and say that half of this comes back to "us" in transfer payments and necessary services. The remainder, \$450 billion, is the political gravy that is fought over, turned into political careers and administrative empires, used to generate superfluous programs and profitable supply contracts, or otherwise wasted, stolen, or lost.

Then we should add in the costs of regulation and restraints of trade that our votes end up authorizing and that we pay for in higher prices. A conservative estimate, just over 10 percent of our spendable income, would be \$150 billion a year.

That's a total of \$600 billion a year as a working figure, a first rough estimate of the political currency that is generated from our votes. That's \$4,000 per eligible voter. Yet by the time election day comes

around, half of the electorate sees the vote as worthless and stays home, raising the value of votes cast to \$8,000 each.

This is political currency. This is what individuals, interest groups, and society as a whole could gain by reclaiming the political process.

JACKPOT FOR THE STATE

At present the choice we are offered in the voting booth leaves us little or nothing of this value. It is rare that we can vote ourselves specific benefits, such as a tax cut. Usually we are just signing a blank check, and whoever wins our vote peddles it for whatever the political marketplace will bear in the form of more government spending or more lucrative protective legislation.

If we look at the election process, we find that both business and government are legally restrained from dominating it. Business interests do exercise a pervasive influence on electoral politics, however, and follow it up with aggressive lobbying. So it might seem that they control most of the political currency.

But in the long run, the main beneficiary of this activity is the State. Business spends all its hard-won political currency in a losing battle to maintain its position vis-à-vis the State, while the government augments its power and budget year by year. As it is now, the State is the final repository of political currency, the ultimate appropriator of voting power. Business is merely a convenient vote collector, just as it is an efficient tax collector.

There are signs that business is aware of its losing position. It is the natural ally of any movement to take power away from the government, and the NFIB appears to have found a winning formula.

PUBLIC TO PRIVATE

The attempts of popular interest groups to buy into the political process have been no more successful than has business. Common Cause, the Sierra Club, and dozens of others have correctly taken the first step, which is to influence the votes of members and sympathizers by publishing the records of legislators' performance. The political power thus collected is real enough, its clout recognized in the political marketplace.

Unfortunately, these groups have gone on to give this hard-won power right back to the government, with hopeful instructions to turn it into consumer and environmental protection, equality of opportunity, and other good things. And the government? It has been only too happy to accept, turning this political

power into multibillion-dollar new agencies and new controls over business, while the problems get worse.

The public-interest lobbyists, in turn, have come around to the realization that the government's performance has been dismal, that it may even be structurally incapable of responding to their needs. They could fire the government and spend their political currency somewhere else. But where?

Class actions have offered some hope. They do not effectively use voting power, but they do get results. The courts, inefficient as they are, do a better job of resolving public grievances than the legislative-executive monster. And when they win, the public-interest litigants get money back!

Here is another example of positive rewards: if class actions pay, then they will proliferate. The government has acted swiftly to stop this threat to its power monopoly, restricting both the number of actions and the rewards. Shot down again!

Not to worry. The ultimate result is that government is turning public concerns back to nongovernmental methods of resolution, specifically, private arbitration and private voting.

NEGOTIATING POWER

With private voting, NFIB members retain their voting power, releasing it through a private poll eight times a year instead of giving it all away in the public polling booth. To be effective, private voting must be backed up by a good lobbying organization. And a good lobbying organization does not give its power to the government.

The NFIB's success in representing its members comes from its alliance with the business lobby, which is becoming increasingly opposed to giving the government any more political or economic power. This does not mean that the NFIB is part of a monolithic, big-business power bloc. Its policy is set every six weeks by its members. Its alliances are ad hoc, and sometimes it is on the opposite side of an issue from big business. And sometimes it has to negotiate.

Look at the differences. The big-business lobbies represent large institutions and the corporate elite who make policy. The NFIB represents ordinary people and their personally run businesses. On questions of big versus small business, or institutions versus people, the NFIB may come out opposed to big business.

Does this mean it has to give its power to the government on these issues? Not at all. There are few illusions in small busi-

ness and the NFIB that a government agency such as the Small Business Administration can save them. It is much better to negotiate. Within the antigovernment camp, the NFIB trades its political currency for a better deal for small-business people. It may support the business lobby 99 percent of the time, but not before it gets its special exemptions and tax breaks and considerations to make life bearable for its members, as expressed through their *Mandate* responses.

This representation is certainly effective, but it is limited to economic issues. The NFIB does not get involved in social issues, no matter how much they affect individual members. Presumably, if they have strong opinions about the environment, gun control, or busing, they can join the appropriate interest groups. They may also wonder why these groups don't use the NFIB's effective methods of representation.

TAXPAYERS: THE ULTIMATE LOBBY

The National Taxpayers Union is close to the NFIB on the political spectrum. It, too, is dedicated to keeping its members' money and power out of the hands of the government. The NTU's main issue is mathematically simple: cut government spending. Legislators are rated according to how many dollars they vote to spend. This, according to NTU, "is designed to avoid the subjectivity which characterizes voting studies which play the 'rating game.' Those studies focus on Congressional votes on certain 'key issues,' failing to take into account the hundreds of votes that deal directly or indirectly with the issues being analyzed."

The NTU would appear to have the same advantages as the NFIB: a position basically compatible with the business lobby, and some voting power that can be traded for benefits for the membership. But it also has one outstanding difference: its target group is all taxpayers. That's virtually everybody. If the NTU were to introduce a *Mandate*-type poll, it would have the potential to extend the private franchise to all of us.

The NTU's membership has grown to 120,000 in the few years since Jim Davidson founded it. How many more would be attracted by the opportunity for private voting is a matter for speculation. There are certainly enough to make a fine demonstration of the principle.

Demonstration is necessary for any new-fangled invention or idea. The NFIB prototype is not visible outside its client group. The NTU production model would

appeal to the politically aware everywhere, attract publicity and controversy, and become part of our common knowledge. Soon, no interest group worthy of its \$15 annual dues could fail to offer its members this elementary facility.

The NFIB has managed to attract 15 percent of its target group. On a national scale, this 15 percent would be over 20 million concerned citizens withdrawing power from the government.

STREAMLINED POLITICS

What about the other 85 percent? Would they continue to relinquish their power to a government they can't control?

What about antibusiness groups? Would they continue to hand over their power and get nothing in return? This question is particularly urgent for the big-business lobbies right now.

A solution is for the big-business lob-

RESULTS: MANDATE 419

1. Do you favor or oppose taxing oil companies on the "windfall profits" they will receive from the deregulation of domestic oil prices?

Favor	Oppose	Undecided
46%	48%	6%

2. Do you favor or oppose creation of an Energy Security Fund to finance research and development in new energy technologies?

Favor	Oppose	Undecided
38%	58%	4%

3. Do you favor or oppose the continued development of nuclear power as an energy source for the U.S.?

Favor	Oppose	Undecided
75%	19%	6%

4. Do you favor or oppose removing the price controls on gasoline?

Favor	Oppose	Undecided
58%	38%	4%

5. Do you favor or oppose the mandatory rationing of gasoline during an energy crisis?

Favor	Oppose	Undecided
32%	61%	7%

bies to negotiate directly and privately with their adversaries, offering incentives to negotiate in the form of consultation fees. It would be a lot like negotiating with labor unions, and the output would be a contract in which political power is traded for pollution standards, hiring practices, product liability agreements, land use concessions, and so on.

The negotiating fees would provide the public-interest groups with a way of going after the other 85 percent, encouraging them to participate with free membership and direct rewards for participation.

And the government? Suddenly it's lost all its customers. They've taken their power elsewhere.

Eliminating that disastrous bureaucratic middleman from the political process promises not only benefits for everybody but a political-economic liberation, a new era of free enterprise, fulfillment of public needs, and personal power.

ESCAPING THE POWER NET

It is perhaps surprising that the prototype for a political revolution should be created by a conservative business group, a trade association. But it is entirely

appropriate that it should occur, not in Washington, D.C., but in a modern square building 3,000 miles away in San Mateo, California.

There, asserts Rich Farana, the NFIB maintains an objectivity and realism that is lost in the never-never land of Washington. The troops in the Research and Federal Affairs departments do battle in the capital, but they are directed from

the grass roots via a cool Pacific headquarters. It is definitely symbolic of the fact that the NFIB is taking its members' power back from Washington, returning it to the people where they live. □

Derek Brownlee is a free-lance engineering economist, currently researching and writing on nongovernmental approaches to the future. His article "Seizing the Day" appeared in REASON in November 1978.

Coming Next Month:

• **Prohibition born again:** With moonshining on the wane, the Bureau of Alcohol, Tobacco, and Firearms is keeping itself in business with an all-out campaign against gun owners.

• **Free-enterprise zones:** Creative urban renewal, a la the free market, calls for lifting taxes and regulations to counter inner-city decay.

• **Eugene McCarthy:** a political veteran tells REASON's interviewer why he supports conscription, whether he favors decontrol of oil prices, his view of the tax revolt, and more.

• **Alaskan war:** It's billed as a battle between business and environmentalists, but the struggle over 100 million acres of federally owned land really pits the State against the individual—and in Alaska, they don't like the way it's going.

Plus Jim Davidson's Viewpoint, Steve Beckner's Money column, John Hoppers on movies, and all of REASON's regular features.

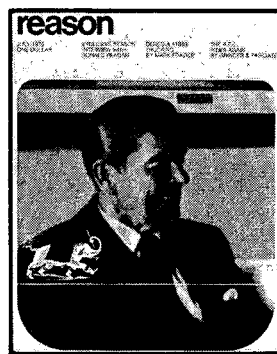
Have You Seen...

REASON's probing of Ronald Reagan?

July 1975

\$1.00

"I believe the very heart and soul of conservatism is libertarianism," Ronald Reagan said in his interview with REASON's Manny Klausner almost five years ago. Read about Reagan, then go on to Eric Garris's profile of another 1980 hopeful, then-new governor Jerry Brown. Check out Mark Frazier's prophetic article on the deregulation of the trucking industry, and Walter Grinder and Alan Fairgate's analysis of the revival of the Reconstruction Finance Corporation. Plus Murray Rothbard's controversial Viewpoint on the fall of Vietnam.



Please send me _____ copies of the July 1975 issue of REASON. My check or money order for \$ _____ is enclosed. (Payment must accompany order.)

Name _____
Address _____
City/State/Zip _____

Mail to:
Back Issue Dept.
REASON Magazine
Box 40105
Santa Barbara, CA 93103

Collective Guilt in Iran

viewpoint

At the time of writing it is difficult to predict the outcome of the explosive Iranian crisis. But several important points can now be made.

In the first place, the crisis has uncovered some particularly ugly aspects of the American character, traits that apparently have festered beneath a gossamer-thin layer of civilized values. In particular, jingoism and racism. Throughout the country, and on countless college campuses, angry demonstrators have called for the "nuking" of Iran and for the deportation of all Iranian students from the United States. Iranians here—even citizens born here but who suffer the stigma of Iranian descent—have been harassed and beaten up.

In this climate of fear, many Iranians are understandably hiding their origin, protesting that they come from Iraq, Turkey, or indeed any place except the country that dare not speak its name. The calls for nuking and for deportation are also being made to the tune of a myriad of racial epithets, all of which seem to revolve around the darkish color of some Iranian skins and the alleged homosexuality of the ayatollah and even of the country itself (?)—all of which, at the very least, ignores the severe crack-down on homosexuality by the current regime.

The idea that the frenzy of the American public is motivated by compassion for the plight of the 50 hostages in Teheran simply won't wash. Thousands of people are murdered throughout the world almost continuously, from Cambodia to East Timor to Afghanistan and, until recently, to Uganda and the Central African Empire, with scarcely a murmur of protest from the indifferent American public. Even the plight of fellow Americans does not usually generate such furor; witness the fact that murders and kidnappings take place all the time in American cities without evoking bellows of fury and indignation from the American masses. No, the motivation is not compassion or justice but jingoism, the feeling that the national honor—that is, the honor of the American nation-state—has been offended: that the beak of the American eagle has, so to speak, been tweaked with impunity.

For its part, the cry for the deportation of Iranian students is, simply and malevolently, an expression of the very concept



Murray N. Rothbard

of collective guilt for which the world rightly condemned the Nazis when they punished the Czech resistance by destroying the village of Lidice. The fact that several hundred Iranian students in Teheran are guilty of kidnapping does not entail guilt for the many thousands of Iranian students in the United States. The barbaric concept of collective guilt was precisely the reasoning behind the American incarceration of all Japanese-American citizens in concentration camps in World War II; innocent Japanese-Americans were being "punished" for the crimes of their racial brethren at Pearl Harbor.

Already, the Carter administration has given in to some of the collective guilt hysteria by moving to deport Iranian student immigrants who are here illegally—that is, who have violated some clause of their visas. Most of these "criminals" are simply students who, in violation of our vicious protectionist immigration rules, are presuming to work at productive American jobs, either part-time or full-time, and even continuing to do so after graduation.

The Carter administration is also beginning to realize that not all Iranians are alike and that an estimated 30-40 percent of Iranian students in the United States are opposed to the Khomeini regime, this being precisely why they have been technically overstaying their term. Most of them are non-Moslems, largely Jews, while others are Christians, Zoroastrians, or Baha'i. If they are coercively

deported back to Iran, they will be sent to probable jail or even death at the hands of the very Khomeini regime we are trying to punish. Even if these illegals are merely smoked out and forced to emerge from their current protective limbo to ask openly for asylum in the United States, this very act may jeopardize the lives and liberties of their families in Iran.

Collective guilt is also being imposed by other Carter actions in the Iranian crisis. Embargoing the import of oil injures both American consumers and innocent Iranian oil workers and other Iranians dependent on exports. Freezing Iranian bank deposits bails out Chase Manhattan and other banks that don't like paying their contractual deposits but injures other banks, American and European, which don't have Iranian loans that they, like Chase, can collect from the blocked deposits. And while the freeze technically applies only to Iranian government and central-bank accounts, most private Iranians or non-Iranian investors in Iran have to use the central bank, and so their accounts are blocked as well. Thus, the US government sanctions, indeed orders, a virtual confiscation of assets, and the long-run consequences for the American and European banking systems are dangerous and incalculable.

Similarly, any blockade of food imports into Iran would impose a devastating collective guilt on innocent Iranian civilians by bringing starvation to large numbers of people. Similar, and even more dangerous, problems would be entailed by any kind of military strike on Iran. For one thing, the Iranians were not dumb enough to emulate the Palestinians in Uganda who conveniently kept their hostages at the Entebbe airport, wide open for an Israeli commando air rescue.

But the important overall point is that "punishment" in foreign affairs is a very different and more tenuous matter than in police actions at home. A surgical strike against the ayatollah or against the embassy students is a very different matter from catching and punishing Richard Speck or Sam Berkowitz. In particular, and aside from international implications of war and peace, the police would never presume to catch a fleeing Speck or Berkowitz by strafing a crowded street