

Soviet manipulation of US reporters and institutions, Hockney finds that his revelations are too much for his newspaper's liberal editors. The story is spiked.

There are many points on which one can fault the novel. Years of fame or privation are told in the style of "he spent 40 years in the wilderness." A bounty of satirical opportunities lies largely unexploited. Characters emerge as scarcely more than ambulatory names.

Yet it's written with such authority that the story is captivating. The authors—Arnaud de Borchgrave, *Newsweek's* chief foreign correspondent, and Robert Moss, an editor of London's *Economist*—insist

that the characters are composites. But many of the examples of high-level espionage, they maintain, are true. At the end, when a KGB defector faces a Senate hearing and begins naming names—of "friendly persons" and of conscious Soviet agents—not all the cries of smear and McCarthyism can put the masks back on.

"When I worked for Directorate A," Colonel Viktor Barisov testifies, "I was part of the team that decided that we should hammer away at the following themes until they became conventional wisdom for the Western media. That our military buildup was inspired by the fear

of encirclement by China. That a military conflict between Russia and America is unthinkable for either side, since there could be no winners in a nuclear exchange—when, in fact, our strategic doctrine has always maintained that it is possible to fight and win a thermonuclear war. That it is morally unacceptable for a democracy to tolerate covert intelligence operations."

Those themes remain popular in some quarters. *The Spike* invites its readers to wonder why.

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## How Is Liberty To Be Secured?

### The Politicization of Society

Edited by Kenneth S. Templeton, Jr.  
Indianapolis: Liberty Press. 1979.  
541 pp. \$10.00/\$4.50.

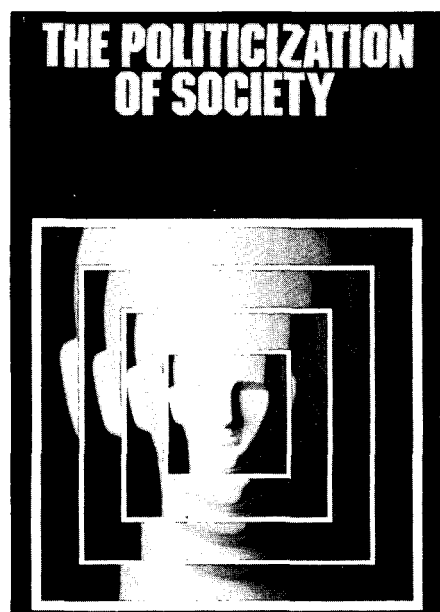
### Liberty and the Rule of Law.

Edited by Robert L. Cunningham.  
College Station: Texas A & M University Press. 1979. 349 pp. \$15.00.

Reviewed by John N. Gray

What accounts for the decline and confusion of free societies in the 20th century? In his valuable introduction to *The Politicization of Society*, the distinguished economic historian R. M. Hartwell speculates that the decay of liberal civilization is due (in part, at any rate) to the rise of a new class of intellectuals. This is a class whose members' circumstance as salaried employees of State-supported institutions fosters an ignorant contempt for market processes and political aspirations involving grandiose schemes of social engineering. Hartwell's analysis suggests that political intervention in the market economy is facilitated by the growth of an intelligentsia whose unemployment in the free market breeds a pervasive anti-capitalist mentality.

This is an intriguing conjecture. Undeniably, academics as a class have done much to obscure the economic foundations of intellectual liberty. Certainly, while it cannot be the whole story, Hartwell's conjecture fills a large hole in liberal theory. So far, theorists of liberty have not been very successful in illuminating the sources of 20th-century interventionism. Nor have classical liberals and radical libertarians had much to say about how a reversion to collectivism is to be avoided once a free society has been restored.



Because these questions have been so badly neglected, *The Politicization of Society* is an extremely useful collection. Several of the 14 essays it contains are addressed directly to the reasons for the decline in liberal institutions, but it contains much else of value, as well. Robert Carneiro and Felix Morley write on the origins and growth of the State. Giovanni Sartori shows how the rule of law has been undermined by interventionist legislation. And Murray Rothbard contributes his famous essay "Freedom, Inequality, Primitivism, and the Division of Labor."

These other contributions aside, the chief interest of the collection lies in the efforts some of the contributors make to confront the sources of contemporary illiberalism. William Marina and Robert Nisbet argue forcefully that State power expands inexorably as a result of attempts to impose a pattern of equality—economic, cultural, and educational—on society. Herbert Butterfield shows how the perversion of historical inquiry for political purposes has served indirectly the cause of liberalism. These are useful con-

tributions in that each of them shows how the moral commitments of the intelligentsia undermine liberty even as they are supposed to be extending it.

In what is arguably the finest essay in the collection, Michael Oakeshott gives a brilliant historical sketch of the emergence in early modern Europe of moral individualism and of its principal enemy, "the mass anti-individual." Oakeshott shows how the moral practice of individuality, arising from the long dissolution of the medieval order, was from the start accompanied by a tribalist backlash.

In part, Oakeshott's essay is a marvelously illuminating account of the germination of modern views of the State in this conflict in the moral character of European man. The spirit of European individualism is captured in the idea of the State as the guardian of civil association, with no purpose beyond that of preserving an impartial rule of law among free men, whereas the collectivist reaction expresses itself in the view of the State as a purposive, or enterprise, association imposing on society a hierarchy of goals. More importantly, Oakeshott's essay is a masterly contribution to the neglected subject of the psychology of liberty. His account of how the anti-individual comes to fear and hate free men and their ways deserves to be read by every person concerned about liberty.

In his capacity as a social philosopher, F.A. Hayek has always been centrally concerned with the relations of liberty with the rule of law, and his complex and controversial account of their connection is examined by 13 distinguished writers in *Liberty and the Rule of Law*. Not all of the papers are argued from a libertarian perspective, but all make a contribution to our understanding of Hayek's system. Rolf Sartorius gives a meticulously reasoned paper comparing Nozick's libertarianism with Hayek's and suggesting that Hayek's is less vulnerable to criticism than Nozick's. In a characteristically provocative argument, Ronald Dworkin de-

fends the thesis that there is no general right to liberty. These are papers showing how Hayek's doctrine inspires thought even in those who do not share its basic postulates.

The key problem of Hayek's system is in the necessary connections it seeks to establish between liberty and the rule of law. Asserting such a relationship would seem to involve Hayek in endorsing at least some of the positions of the theorists of natural law, but this he steadfastly refuses to do. Instead, Hayek is inclined to treat the juridical framework of the liberal order as the outcome of social evolution, enjoying a sort of moral privilege in virtue of its having so far survived competition with its rivals.

Hayek is on firm ground in his criticisms of the separation of law and morality and of the current view of law as the product of legislation or the invention of judges. Nevertheless, the curious and confused mixture of evolutionary ethics with utilitarianism that he offers as the basis of the defense of liberal society is utterly unsatisfactory. As Eugene Miller and Tibor Machan argue in their contributions to this volume, the logic of Hayek's skeptical Kantianism commits him to the view that liberal society can in the end be given no transcendental justification but must be embraced by those who are devoted to it as a matter of sheer moral commitment. Miller and Machan are probably right that the skeptical and relativist implication of

Hayek's system (not consistently acknowledged by Hayek himself) can be avoided only if Hayek takes a step back from Kant to Aristotle. I am myself skeptical about the intellectual prospects of any revival of Aristotelian philosophy, but the papers of Miller and Machan add weight to what is in any case a notable collection.

*Liberty and the Rule of Law* warrants inclusion in the library of all scholars of Hayek, and it should be read by all who care about the intellectual foundations of liberty. It contains the right questions even if it offers no very persuasive answers to them.

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## Hard Money: Research and Passion

### The Origins of Central Banking in the United States.

By Richard H. Timberlake, Jr.  
Cambridge, Mass.: Harvard University  
Press. 1978. 272 pp. \$18.95.

### Honest Money Now.

By Howard S. Katz.  
New York: Books in Focus. 1979. 85 pp.  
\$3.95 (paper).

### Reviewed by Jon P. Windness

With inflation persisting in the double-digit range, many of us have two important questions: How did we get into this mess? And how can we get out of it? Both are dealt with at length in these two books.

Timberlake's book is the most complete exposition I have read on the origins of central banking in the United States. It is detailed, complete, and framed upon sound economic thinking. Because it leans on original source documents (*The Annals of Congress*, *The Congressional Record*, annual reports of the Treasury, etc.) it is an especially interesting account of monetary history.

The period covered is 1811 through 1913: from the expiration of the charter of the First Bank of the United States to the passage of legislation setting up the Federal Reserve System. Instead of dwelling on the many details, quotes by people in power, debating points in favor of various monetary systems, etc., let's understand Timberlake's main conclusions.

First and foremost, it becomes clear from reading his account that a specie-based (gold- or silver-based) monetary system really works. It is self-regulating, internally and between countries. More-

over, from the record of the 19th and 20th centuries, when there was less variation in business activity, it is preferable to a monetary system controlled by central banks.

Second, when the 19th-century specie-based monetary system broke down into booms and panics, it was either caused or aggravated by government intervention. Contrary to popular opinion, the federal government was heavily involved in monetary affairs throughout the century, with the Treasury Department acting very much like a central bank. The depressions of 1819, 1837, 1868, 1873, and 1896 were all associated with the Treasury first injecting high-powered money (government debt, gold, or silver) into the banking system and then pulling it out. Private speculation played a part, but the original stuff for booms and depressions came from Washington. To repeat: this book provides proof, supported by detailed graphs and charts, that much of the instability of the 1800s was *not* caused by laissez-faire capitalism.

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Third, Timberlake's many quotes from debate over creation of the Federal Reserve supports the view that no one group or force was behind it. Support came from farmers of the Midwest and South, Wall Street, bankers, industrialists, labor, Democrats, and Republicans. Recalling the oft-distabilizing actions of the Treasury and wishing to take control out of politics, many envisioned the Federal Reserve System as a "quasi-scientific, self-regulating machine for responding only to form-seasonal variations in the de-

mand for money." Moreover, everyone except a few monetary cranks believed in the gold standard and stable money. The Fed's founders wanted only to create an "elastic" currency—one that would stretch and contract, but with total length regulated by gold.

Beyond the above three points, the book contains a most concise and understandable explanation of bimetalism and the political-economics behind silver's rise and fall from the mid-1870s to 1896, the year William Jennings Bryan lost his bid for president on the famous "Cross of Gold" speech. The price of gold had been rising relative to all commodities, including silver, causing some hardship. Silver was the "easy money" of the time and had significant political support, but its acceptance was actually torpedoed by Bryan's Democratic party with repeal of the silver-purchase clause in 1893. (Without going into details, I also found Timberlake's explanation for the falling velocity of money in the 1800s, observed by Milton Friedman and Anna Schwartz in their *Monetary History of the United States*, a useful improvement on present theory.)

What does all this history mean for us today? Timberlake clearly prefers a complete free market in money: "This record suggests that a market system for handling random or even periodic disturbances to the monetary system is more stable than one managed by authorities. Since the self-interest of private persons in business firms and households governs a market system, and since it is their interest to have a stable system, these people will develop market machinery to stabilize the system." Unfortunately, he believes that a laissez-faire monetary system "looks politically impossible." He concludes by advocating a monetary rule, à la Milton Friedman.

Timberlake's book is a painstakingly complete historical account, with new insights and sound economic analysis, and