

Why The Big Worryabout The Gradual Loss Of Our Liberties?

What We All Must Know About True Capitalism And Creeping Socialism

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Chapter 1 – Our National Best Interest.

Chapter 2 – Capitalism and the U.S. Republic

Chapter 3 – The Basis and Philosophy of Socialism

Chapter 4 – The Spread of Socialism

Chapter 5 – Supervised Capitalism

Chapter 6 – Conclusion

Foreword

It has been 37 years since I met Dr. David Wood when we both attended a lecture series on the societal problems arising out of the conflicting desires of people for both freedom and security.

The author of that lecture series was Andrew J. Galambos. Professor Galambos posed the issue succinctly as follows: The demand for the state to provide security has been met universally by a supply of state coercion limiting human freedom.

Dave's first book, *Who Will Take Care of Me When I Am Sick?* (2001), examined this subject within the context of health care, his chosen profession, where as a physician he witnessed first hand the degradation of the noble profession of medicine. Dave wrote that book to illustrate the deterioration of medical care when the needs of patients and the services of physicians are subordinated to the requirements of so-called "third party payers"—insurance companies and state agencies—whose primary activities and objectives are "administering" health care and controlling its cost, rather than allowing patients and physicians the freedom to contract freely with each other.

In this new book Dave examines a broader topic in the same vein; how and why it is that in the freest country that ever was, the United States of America, the trend has swung so decisively from an emphasis on liberty to an emphasis on security, with a concomitant reduction in the liberty of all.

To this study Dave brings a wealth of knowledge, derived from long and diligent study of the subject of his new book, as well as extensive travel in Europe and elsewhere over the past 50 years.

During a long stay in Germany in his college years Dave became fluent in German and also witnessed the leftover devastation wrought there by World War II.

Later, as a specialist in plastic surgery, Dave regularly attended many medical conferences throughout the world, but especially in Europe. He made close European friends in his profession, including a fellow plastic surgeon who was a citizen of Poland.

Under the Polish communist system, as elsewhere behind the “Iron Curtain,” physicians were all state employees who were paid little more than unskilled laborers. This eminent Polish plastic surgeon made far less from his professional activities than he and his wife earned by raising tomatoes in a greenhouse, as small-scale, entrepreneurial farming was one of the few free market activities grudgingly allowed to individuals under Polish communism.

When each of his two sons graduated from high school, Dave took the young man to Europe to visit his European physician colleagues and their families, but also to show his sons first hand the stark contrast between life under communism and life in the West. The contrast between East and West Germany was especially dramatic. This divided country with a common heritage and ethnic identity differed as night and day, with poverty, scarcity of consumer goods and a repressive police state in the east. But as soon as father and son drove across the border into West Germany they found prosperity, a wealth of consumer goods readily available, and a free and open society. It was like seeing a motion picture in dreary black and white that suddenly comes to life in brilliant color.

Dave found this remarkable. He described in fascinating detail his visits behind the Iron Curtain and the conversations he had with his colleagues there who felt safe in talking with their trusted American friend about conditions of life under communist rule.

Two examples illustrate the wealth of knowledge Dave gained by his first-hand investigation of conditions behind the Iron Curtain.

Dave asked a young man who was in the Polish army reserves whether he would obey orders to fight in case of the outbreak of war between the communist countries and the NATO allies. The young man said that he would, but that the Russians so mistrusted the loyalty of the Poles that they allowed the Polish army only enough bullets for one day of combat! When asked if he would fight the Russians to liberate Poland, the young man exclaimed, “gladly!” On another occasion, at a dinner party, glasses of vodka were hoisted to toast their American friend, but the Poles’ second toast was to President Reagan, because the Poles revered him for his stalwart opposition to Communist rule of their country and his denunciation of the Soviet Union as an “Evil Empire.” This was a characterization which the Poles most heartily endorsed as they felt themselves to be subjects of a harsh tyranny centered in Moscow.

The sub-title of this book is What We All Must Know about True Capitalism and Creeping Socialism. This sub-title is our entrée into an informed discussion of the virtues and values of freedom and free enterprise. It is the thesis of the book that it is our relative freedom and the system of free enterprise (“Capitalism”) that transformed America from a small, impoverished backward country to the world’s most powerful nation and the leader of the free world in just 140 years, from 1776 to 1917, when America rescued Europe from the brutal stalemate of World War I.

In a thorough and logical presentation, Dave explains the sources of America’s freedom and prosperity in contrast to the basis and philosophy of an altogether different system, Socialism. He describes the spread of the socialist ideology and its disastrous consequences in a variety of contexts including small-scale and shortlived voluntary socialist experiments, entire countries adopting socialism under a system of

parliamentary democracy, and those most unfortunate countries taken over by communist totalitarian rule.

Finally, and most importantly to his fellow Americans, Dave examines the disastrous effects of so-called “Creeping Socialism” whereby socialist policies are gradually undermining the freedom and prosperity that have been built up in America since the founding of our country on principles of freedom. This book is well worth reading by anyone who hopes for a free and prosperous future for America.

Frederic G. Marks

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Forward

Special Use In this writing, the word liberal, when referring to supporters of the Left or socialist philosophy, will be set apart with single quotation marks because they apply it incorrectly, and with that name they seek greater public favor. The word's true meaning from Latin (liber) is to be free, and I wish to be semantically correct.

The acceptance of the socialist agenda by the present-day, Leftwing school of thought (as assumed by the majority of the Democrats) opposes the intentions of our founding fathers and works to establish "big government" as the source of control and direction of society. That agenda diminishes the independence of individuals. Regardless, those persuaded to the Left have assumed the label 'liberal.' For emphasis throughout this work, I have chosen to capitalize the titles of the two competing systems, which I am addressing; namely, Capitalism and Socialism.

Preface

It ain't what a man don't know that makes him so dangerous but what he does know that ain't so.

-- Josh Billings Misconceptions of the true nature of Capitalism, the successful and powerful economic system of this great nation, are around us everywhere, and so many of those who should understand it by being part of it, express doubts about the real market forces that can function in an unencumbered market place. Those asserted, specific misgivings of Capitalism's real value derive primarily from misinformation presented in our present-day public schools, colleges and universities. They are further perpetuated in most of the present-day media. Later in this work I intend to clarify how and why this anti-Capitalism has spread so extensively and persists in being so substantially accepted.

On September 11, 2001, one of the most heinous, brutal, hateful, and cowardly attacks upon a peaceful, civilized nation took place.

It was perpetrated by young, middle-eastern men who were willing to commit suicide to complete the attack and at the same time claim religious justification. What belief system could engender such hatred and account for disregarding one's own life to inflict death and destruction upon innocent people and private property?

Destroying the World Trade Center (WTC) in New York City and crashing into the Pentagon and a field in Pennsylvania murdered over 3000 innocent men, women, and children, from some 80 different countries, and devastated the lives of many times that number. One can safely assert that this was an attack upon modern, developed Western civilization and world trade. It was an act of desperation perpetuated by fanatics who tried to strike a blow against freedom that they somehow came to believe threatens their

discredited and oppressive belief system. Evidence points to years of premeditated preparation to use the open and free nature of an unsuspecting country to perform this nefarious act. Cowardly as well as “evil” describe its every aspect. There has to be a far-reaching attraction and conviction that is not fully appreciated in Western cultures to explain such a serious belief.

Benazir Bhutto¹, former Prime Minister of Pakistan, articulated: The microcosm of America that was destroyed on September 11 – people of all races, ethnicities, and religions – is everything the fanatics abhor: men and women, working side by side as equals; Muslims, Christians, Jews and Hindus, together building worldwide trade and communications. America is a symbol of what can be to millions of oppressed people all over the world. America means everything to those deprived of human rights and the rule of law. America symbolizes modernity, diversity and democracy, and it is these three things which are the fanatics’ worst fear.

The acceptance and enforcement of self-defense are rational, moral, and universal features of existing, self-respecting civilized nations and of the individuals comprising them. These are desired methods of civilization, but there are groups, which embrace terrorism as a means to obtain political goals, and representatives (cells) of some of these groups are reported present and festering in our own country and in many others.

There are political pundits who would have us de-emphasize the carnage and try to “understand” the motivation of the perpetrators rather than actuate self-defense procedures. There are those in this country who go so far as to place blame on this nation’s actions in the world to explain the occurrence on September 11, 2001. Most conspicuous are the remarks of former President Bill Clinton² in a speech at Georgetown University, November 7, 2001 in which he stated, “those of us who come from various European lineages are not blameless.” This country stands for respect and protection of citizens, their property, and their religious beliefs. Such negative and destructive action as we experienced in New York and Washington D.C. at first is difficult to believe. It does not fit into our understanding and grasp of peaceful co-existence. Can one accept any aspect of this action of destruction? A resounding NO reverberates in my mind, so I assert it is important to examine the derivation of such destructive belief systems.

Along with those who would attempt physically to attack and destroy this great land and its institutions, there is an anti-capitalist conviction with its relative anti-patriotic mentality of many in this country who criticize the United States’ system of Capitalism.

The destructive results of such beliefs are far subtler, more insidious, and more far-reaching than the overt physical Sept. 11 attack. I maintain that this belief disposition (Socialism) requires an even greater in-depth scrutiny than the motivation of the terrorists.

What differentiates most Americans and our way of life from the viewpoints of fanatics is that we have a system that is based on trust and agreement that flows from the free exchange of information.

That certainly describes what we expect from our various markets where we conduct our commercial exchanges. This is Capitalism in action.

There is little difference in the postures of the 'liberal' academic cadre of college and high school teachers and those religionists in this country who voice opposition to the self-defense position of President George W. Bush, his staff leaders, and the majority of our citizenry in response to the WTC attack. It is appalling to me that over 600 college students and faculty at Amherst College in Massachusetts signed a petition in December 2001 against the "unjust war" in Afghanistan.

On March 28, 2003 at a "teach-in" on campus, a Columbia University Professor, Nicholas DeGenova, gave a scathing denunciation of the Iraq conflict. He opined that the United States forces in the Iraq war should suffer "a million Mogadishus" (the place of Black Hawk Down). According to the Associated Press account that reported the denouncing speech, DeGenova added, "The only true heroes are those who find ways that help defeat the U.

S. Military." What a villainous repugnance and anti-American ingratitude! Though in America we defend his right to say those things, fortunately we can also exercise the choice to ignore his inciting remarks and verbal abuse.

As reported by Sean Hannity on his March 11, 2002 radio show, there were anti-war demonstrations on the campuses of 140 American colleges and universities. This shows the organization capability of Left, anti-American groups. Interestingly, these demonstrations occurred in the shadow of nation-wide polls, which reported over 82 percent of the American public stood in support of the security efforts of war on terrorism; specifically, on Al Qaeda terrorists, the Taliban in Afghanistan and other regimes that harbor and support the terrorists, including Iraq, and eventually possibly in Iran, Syria, and North Korea.

Because of their unceasing disdain for successful Capitalism, oppositionist college 'intellectuals' seem to find it difficult to show patriotism after that precipitous September 11 incidence. It really illustrates that they embrace a win-lose paradigm ("For me to win, you must lose.") just like the wealth redistribution of basic Socialism. The anti-Western civilization sentiment of the middleeastern Islamic militant is similarly flawed but is centuries older.

The belief held by so many intellectuals, that the system of Socialism is ideal, is just not verifiable. It has been disastrous. Those anointed academics assert that it was the leaders of the post-World War II Union of Soviet Socialist Republics, Cuba, North Korea, and Communist China (to name just a few) who despoiled that idealism by personal aspirations for power. This is an erroneous assumption. The socialist system itself is flawed because it contradicts human nature. I shall cite history, experience, and references that will show the consistent failure of Socialism.

This great US nation has been under terrorist attack from outside our borders for many years before September 11, 2001. But, just as insidious and serious are the enemies of our country and Capitalism from within; namely, much of the intelligentsia in our universities and education system and elements of the Democratic Party together with so many 'liberal' media allies who verbally criticize the achievements and the methods of defense of our national leaders, military, and citizens who are defending our liberties.

The anti-capitalist and anti-Western civilization sentiments from without (terrorism) are serious, but more importantly the anti-Capitalism and criticism of patriotism sentiments from within (Socialism or 'liberalism') warrant closer scrutiny.

1 Taken from a speech by Benazir Bhutto at a seminar held September 15-20, 2002 at Hillsdale College, Hillsdale, Michigan; printed in *Imprimis*, The National Speech Digest of Hillsdale College, vol. 39, number 10, October 2002.

2 Sean Hannity, *Let Freedom Ring*, New York: Regan Books, HarperCollins Publishers, 2002, p. 96.

Introduction The mind of a bigot is like the pupil of the eye; the more light you pour upon it, the more it will contract.

-- Oliver Wendell Holmes, Jr.

Many teachers in high positions in public schools and universities support "cultural relativism" and collectivism, and those educators indoctrinate the educable youth of this country to their single-sighted viewpoint. And sadly, under the guise of academic freedom and free speech, an almost vehement, though methodical, one-sided presentation of collectivist ideas is advanced in our institutions of public education, with no tolerance for opposing views. The academics invoke the First Amendment freedom-of-speech to promulgate their disregard for established norms of culture and responsibility, and students report that these academics use speech and grade restrictions against those who express differing views. They arouse political opposition to guest speakers on campus if such speakers have "conservative" views, and in many instances they even cancel them outright. I dispute and reject those practices, and I present more history for clearer understanding and debate.

In my present understanding I agree with the conclusion of Thomas Sowell¹ that the Vision of the Anointed is basically using the philosophical base of the socialist mindset to further its own 'importance' and position. Operating here is the arrogance of pseudo-intellectualism that is practiced by self-absorbed and coddled professors who fail to enlighten and inform because they are much more attracted to a learning environment that polarizes, recruits and converts students to their personal points of view.

These so-called anointed have "shown an extraordinary ability to defy evidence," Sowell writes. The ideological campaigns of the "thinking people" cover the welfare state, medical and nuclear programs, automotive safety, and Keynesian economics (with its emphasis on deficit spending) plus Socialism and communism.

These self-appointed intellectuals seek also to impose their views via the power of the government.

David Horowitz is an outspoken advocate for the institutions of the United States, for the track record of its freedoms and liberty, and for open and informed debate about political issues. He was invited early in October 2002 to speak to the students at Santa Monica High School in California by a junior student, Steven Miller, interested in economics and politics. This young man's history teacher led the faculty in canceling Mr. Horowitz' speaking engagement because it would be "harmful" to the students.

Mr. Larry Elder, whose radio talk show is heard on KNBC (Los Angeles) from 3:00 pm to 7:00 pm each weekday, interviewed this student on national hook-up during the second week of October 2002 and on several occasions since. This young man exposed clearly the leftist bias of his high school teacher.

Another person denied access to college campuses for being “conservative” is Supreme Court Justice Clarence Thomas. He has also experienced several cancellations of invitations to speak.

What a vast change from the open debates in my college days at the University of California at Berkeley (yes, Berkeley) when I was a student there in the late 1940s and early 1950s. In that era shortly after World War II, guest speakers from many organizations and points of view spoke on campus. I can remember student communists standing on open-bed trucks at Sather Gate periodically with their bullhorns trying to get people to stop and listen. Few did.

Today, of course, the atmosphere to encourage open discussion of diverse political thinking has changed. In fact, Mr. Horowitz² in April 2003 disclosed a “blacklist” of speakers of opposing political stances on over 40 university campuses. This subject will receive more review later.

Another example of opposition to the basic principles of the United States today is the verbal attack upon the use of the word “God” in our Pledge of Allegiance, on our public buildings, and on our money. On June 26, 2002, the Ninth Circuit Court of Appeals (San Francisco) held that the Pledge of Allegiance in public schools was unconstitutional. They rationalized that the words “under God,” added by Congress in 1954, violates the First Amendment “Establishment Clause.” Historically, the framers of the Constitution intended that First Amendment clause as a prohibition against the federal government’s establishing a national religion, not for the mention of God in State schools. “In God we trust” on our coins and bills, “God Bless America” (by Irving Berlin), and “under God” are expressions of a profound respect for a power greater than ourselves and only recognize and reinforce the historical and fundamental principles of our great country. It is no underwriting of any specific religious body. Sean Hannity³ describes the opposition to “God Bless America” in an elementary school by one complaining person as “the tyranny of the disgruntled few.” In a fashion similar to the original socialists, those on the political Left harshly attack those of opposing views (mainly those they perceive as ‘conservative’) by using offensive utterances laced with derogatory labels like: “mean-spirited,” “reactionary,” “religious right,” “racist,” “homophobe,” “sexist,” “right wing extremist,” “neo-Nazi,” “conservative Fascist,” “Zionazi,” “stupid,” “moron,” and “dumb” for starters.

Factually, Marx and Engels never tried to refute their opponents with debate. Their verbal engagement was not directed against the opponent’s argument, but was always against his person. Quoting from Ludwig von Mises⁴: “They insulted, ridiculed, derided, slandered, and traduced them.” Jeff Jacoby, A Boston Globe columnist, reported that Democratic political consultant, Julius Henson, in an interview with The Washington Post called the Republican candidate for Governor of Maryland Robert Ehrlich a “Nazi.” Jacoby reported further that long time Democratic activist Ned Coll during his invocation at the Connecticut Democratic Convention labeled Republican Gov. John Rowland a

“snake” and a “glorified thug,” and he clamored for “death to the Prince of Darkness.” That is totally inappropriate language for an invocation, but it was given a pass by the ‘liberal’-leaning press.⁵ Does this sound familiar? Today, this ‘liberal’ strategy is right out of the textbook of the old socialist and Marxist tactics. Ann Coulter⁶ (2002) devotes a well-documented and graphic book (Slander) to illustrate the modern exploitation of this method. Coulter’s work is one of the most informative and descriptive books of its kind that I have read. In vivid, forceful, and explicit examples and descriptions, she effectively exposes the intentions and methods of today’s master method of the ‘liberals.’ I am greatly impressed with the thoroughness of her references and research.

I believe that all the hatred behind the positions of antiindividual, anti-private property, and anti-Capitalism attitudes, is destructive to our productive system. The socialists depreciate private ownership of property and attack it by continually calling for tax increases. Inability to own property nullifies freedom of exchange, incentive, and innovation. It is like a tug of war between those who put their faith in the ‘wisdom’ of government intervention as the best dispenser of social goods and those individualists who understand that free markets nurture free exchange and creativity.

The ‘liberals,’ employ the controlling methods of Socialism, and push to redistribute the wealth of this nation by taxation, welfare state, and socialized medicine. Their basic aim is to undermine the capitalist system in favor of an “egalitarian” one. They unabashedly seek positions of political power at the expense of the institutions of this great nation and the citizens in it. The result is to garner power to themselves in order to further their political goals, regardless of the effect upon the country and its security. It even appears that divisiveness to capture ethnic votes is more important to them than unifying our citizenry and protecting our borders for national security. In my opinion, the ‘liberals’ continual criticism reflects a high-handed self-interest to present their point of view.

To understand the ‘liberal’-socialists’ relentless intent and resolve, one has only to observe the results of their insidious infiltration into the public schools and colleges and the rigorous and remorseless pounding of their ‘liberal’ agenda into the minds of susceptible and believing youths. By persistent but gradual elimination of the true history of the founding of this nation and the learning about the development of Western Civilization as well as the subsequent battles and blood loss to preserve them, they have introduced a relativity of values that undermines the very strength necessary to preserve the jewel that we have. I must add that they also discount all the failures from the institution of Socialism in multiple societal experiments.* In my teaching experience I have found that to try to discuss these concepts rationally with the emerging ‘educated’ students, I encounter an emotional wall of defense and justification that is as difficult to scale as the determination of teenagers to be independent and throw off the yoke of their ‘uninformed’ parents.

One of the results of such persistent but erroneous indoctrination is the partisan Democrats’ determined support of President Clinton as an “honest man” in spite of his being in contempt of court for lying under oath and his disbarment to practice law in the State of Arkansas for the same reason. They intone, “He’s our man, right or wrong!” Another result of that indoctrination is the position of reduced patriotism to this great country, which the Left believers justify to be under the umbrella of “freedom of speech.” Their pushing a stance of “free speech” in my opinion amounts too often to an excuse to

further the position of undermining the institutions of the United States. When does free speech become sedition?

The outright hatred of all Western civilization by militant believers of Islam is a mindset to change and destroy Western-type civilization.

The distorted religion of the Islamic radicals rejects the all-important concepts of individual freedoms and liberty. Militant Islam would destroy the Western democracies and all their people (primarily the US) but still hold its own masses in subjugation and poverty. Should the followers of this inverted interpretation of Islam prevail, they would just continue to indoctrinate the rest of their kindred third-world, ignorant souls with hatred of Western culture.

* See Chapter 4, Results of Applied Socialism.

When oil revenues are stripped out of all Middle East Muslim countries, the collective economic output is less than the GDP of Finland with a population of a little over four and a half million, but those Middle East countries have an aggregate population of over 270 million people. Absent is incentive and education to improve their economic situation.

There is no bilateral benefit to terrorism. It is true that intellectuals condemn terrorism, but they do so with the implication that Israel and even we, the United States, have inspired hatred toward us by our actions in the Middle East. The political and academic Left alleges that our use of the military demonstrates a form of “terrorism” and “imperialism” (in spite of its being selfdefensive).

Terrorism? Calling our dedication to self-defense terrorism in the aftermath of the cowardly attack upon this peace-loving nation is a real stretch of definition. And Imperialism? Imperialistic expansion for control of territory was a main activity of the former Union of Soviet Socialist Republics (USSR), but not of the United States. We wish to liberate, not expansively include other countries into our circle of control, like the USSR.

The sustained loathing of Capitalism’s creation of wealth by the hard-core group of anti-war (and anti-patriotic) college academics excludes a proper understanding of the creation of peace; which is the win-win paradigm: “For us to win, you also must win;”^{*} or For us to benefit from any negotiation or agreement, you also must benefit.

This is the basic principle that supports a free market, and it is the bedrock principle of Capitalism. There is no bilateral benefit to the one-sided political presentations, which those college intellectuals set forth.

David Horowitz⁷ describes the contempt the ‘progressives’ have for any of the perspectives and ideas that run counter to their “gifted sight.” Because of the domination of the Left in our universities, the works of prominent antisocialist thinkers like Ludwig von Mises, Friedrich A. Hayek, Aron, Sir Karl R. Popper, * Jay Stuart Snelson, unpublished.

Oakshott, Thomas Sowell, Strauss, Milton Friedman, Kirk, Kristol, and Bloom are absent from the texts studied and from the recommended comprehensive lists of references for students.

This results in a “silencing of ideological opponents in the areas of culture the Left controls.” This is a decided form of intellectual deceit.

Horowitz relates this “silencing of ideological opponents in the areas of the culture the Left controls” has led to a situation one academic philosopher, Thomas Nagel⁸, lamented as “the collapse of serious argument throughout the lower reaches of the humanities and the social sciences in the universities.” How did this scorn for Capitalism and discredit of the founding ideals of the United States originate? How about the “self-esteem” movement as a substitute for responsibility and achievement? Does that movement not promote a sense of entitlement versus the self-respect that accumulates from achievement, performance, creativity, and impulse control? To a wide degree, a large number of hippie ‘flower children’ of the 1960s who retained their ill-based gripes against law and society in their ignorant youth-state went to school and gave those complaints an ‘intellectual’ vocabulary and put themselves in the position to promulgate their sour anti-society opinions.

To a lesser (or greater?) degree, could it be that by the mid 1960s the negative criticisms of the socialist ‘Left’ had penetrated those ‘hippie’ anti-establishment sentiments and gained accord? This seems to be a valid factor because those hippie communities were ripe for any program that sounded consistent with their antisocietal position, particularly if it appealed to their ‘feelings.’ Today, at most universities, under the pressure of giving grades, those collectivist instructors get their young college charges to agree to their teachers’ unhealthy negativity and their opposition to discussions of other viewpoints by eliminating access to all opposing references. To me this amounts to a cowardly and dishonest perpetuation of the ‘liberal’ professors’ personal philosophy.

David Horowitz⁹ offers another explanation of how the leftist monopoly of the academic campuses came about. “To begin with” he states, “the universities are feudal institutions whose organizational structures are hierarchical and collegial and thus closed to scrutiny and oversight.” “In the [nineteen] Sixties and Seventies, centrist liberals controlled academic faculties. Because they were committed to pluralistic values, they opened the door to Marxists and other political ideologues. But as soon as the ideologues reached a critical mass on these faculties, they closed the doors behind them. The feudal hierarchies of the university made it relatively easy to create the closed system that is evident today.” This illustrates the same mechanism that the socialists and Marxists exert. They insist upon “free speech” until they are in power, then they deny free speech to all others of differing views.

Because of the ‘liberals’ discernibly distorted observation, I hold it necessary to illustrate the similarity between that ‘liberal’ way of thinking and the basis of Socialism. In fact, I conclude that present ‘liberalism’ is a direct acceptance and promulgation of the tenets of Socialism as their goal. It is obvious to me that the ‘liberal’ agenda is a direct restatement of the socialist agenda. (Chapter 3.) Concurrently, those same intellectuals seem to have no appreciation that the high standard of living that they enjoy is a direct result of the freedom and productivity of Capitalism. From where do they believe their pay and their living standards are derived?

Capitalism and the private sector provide the economic surplus that makes it possible for these academicians to do their political complaining. This amounts to a form of biting the hand that feeds you.

I must admit that the creation of “non-profit” organizations has allowed great accumulations of wealth, which find their way into unchecked endowments to universities to be distributed at the discretion of the collegial fellows. This is an example of oblique redistribution of profits of Capitalism by political creation of pseudo-market organizations.

Still, apart from private endowments, within government budgets university governance structures have evolved to take advantage of distortions in supply and demand for education because they have developed their structures in the setting of political-type management.

Included in the negative aspects of this ‘intellectualism’ is the concept of “non-violence.” Michael Nagler, Ph.D.,¹⁰ at the University of California at Berkeley, originated a Peace and Conflict course there based on Gandhi. He writes, “You reason with terrorists the same way you reason with non-terrorists: by respecting their humanity and listening to their complaints.” Of course, while our Twin Towers collapse! This “non-violence” movement is a corollary of multiculturalism and disregards honorable selfdefense.

That naiveté is incredible. It is self-serving and pompous because Nagler set himself up to be a self-important arbiter. His position sprang from an inflated sense of his own importance, but I conclude that he and his ilk are insecure because such inexperience with reality is otherwise very difficult to explain.

Thank goodness there are still a few professors and teachers (estimated to be possibly up to almost 20 percent but mostly in the sciences) who adhere to the precepts of intellectual honesty and curiosity in supporting the wide range of open debate of diverse issues. Nevertheless, it is sad that they have to be furtive and sometimes even remain quiet about their beliefs because of the swift academic retributions that are heaped upon them by those in higher positions who disagree with them.

It is essential to identify the resounding intellectual criticisms and accusations that are so similar to the philosophical positions and tactics of Socialism. However, it is not enough merely to claim that these unilateral exclamations are like Socialism. To expose them for what they are can take meaning only when clear definitions and comparisons are given as to what specifically Socialism represents. Then the illogicality of the idea of collectivism will become obvious, and the Left’s criticisms then can be put in accurate perspective.

One might pose an alternative question, could ‘liberalism’ be a common mentality, which develops in the minds of those who hold themselves intellectually superior and therefore should ‘logically’ be the leaders of those they claim are incapable of leading themselves? Thomas Sowell¹¹ believes so and dedicates a whole book to that conclusion.

As individuals accumulate wealth and perhaps a little wisdom, they become less socialistic and ‘liberal’ because they feel that they have something to protect and to pass on to their heirs. In other words, they have created their own personal economic surplus, and they prefer not to see it seized or squandered.

To clarify the concept of individual liberty, it is necessary to understand the basis of Western culture and thinking and the evolution of freedom and government for the people and by the people that are embodied in the Declaration of Independence. Once the importance of private property, its development, and the greatness of individual ownership of it are conclusively defined (Chapter 2), the collectivist or 'liberal' claims for the opposite then become transparent.

The importance of the historical antecedents of democracy is scarcely to be found in many of today's public high schools and college courses of history, including the history of Greek democracy and the writings of Adam Smith, Voltaire, John Locke, Edmund Burke, Alexis de Tocqueville, and others. These sources were well understood by our founders, including George Washington, Benjamin Franklin, Thomas Jefferson, and the authors of the Federalist Papers (James Madison, Alexander Hamilton, and John Jay).

Man and Civilization, which as a subject gave us older citizens an appreciation of the development of our republic when we were in college, has all but been eliminated in most of our institutions of higher learning in this country. Thank goodness for the private Hillsdale College in Hillsdale, Michigan, the Ludwig von Mises Institute in Auburn, Alabama, and St. Mary's University in Moraga, California where their students are exposed to the true basis and values of the founding of this country.

David Horowitz is a well-known conservative spokesman and author. He has not always held that philosophical position because his parents were devoted Communists and raised him in that conviction. Earlier, he supported the civil rights movement, but it was not until he observed the brutal tactics of the Panthers in Oakland, California and of the Communists in the USSR that he began to understand the reality of the socialist lawlessness.

During the early spring of 2003, Horowitz¹² spoke at more than a dozen universities. When he speaks he tries to cover a broad menu of subjects, including the war on terror, race relations, and the pervasive influence on campus of leftist viewpoints. He relates that he hopes in his hour at each university to "jar students who may be seeing their first conservative speaker in the flesh into thinking in new ways about issues that confront them." In his opening remarks he emphasizes "You can't get a good education, if they're only telling you half the story --- even if you're paying \$30,000 a year." The most successful societal example of individual liberty concepts applied in history is found in the United States of America.

But, any attempt to bring understanding of independence runs into the difficulty of explaining political coercion and how it works even in our democracy. I shall try to place politics in an understandable perspective, but my main objective is to derive a functional grasp of the underlying beliefs that lead to ruinous political action. Perhaps then the vindicated Western societal standards and the philosophical antecedents for establishing our nation will become clear to the minds of idealistic youths and students.

An accurate presentation of the authentic history of the establishment of the United States of America in our schools is essential to that understanding, but in the last few years this history has been disappearing gradually.

I truly want to reach out to influence those negatively indoctrinated young students who might yet harbor a modicum of intellectual honesty and curiosity. Reading about true Capitalism and the failure of Socialism, they will be better able to weigh these concepts carefully and experience the paths of thinking that lead to open, comparative debate.

Moreover, this subject should interest curious and concerned people beyond the student age. If they can possess distinct knowledge of both systems, they can understand confidently how the two actually relate to true societal history. They will then be able to differentiate between the emotionality of the Left ('liberalism') and the rationality of Capitalism. Armed with precise definitions and an honest intent, these older people as well as the 'liberal'- indoctrinated young high school and college students will be able to ponder, compare, and even choose the path of demonstrated successful societal structure; namely, Capitalism.

Capitalism is the system based upon precepts of individual freedom, private ownership of property, contractual associations, production, and "win-win" relationships, with all the natural benefits that develop from them. This economic surplus is not possible with any other set of assumptions. I shall present distinct and clear definitions to clarify and expand these concepts.

I will present later a more accurate definition of a conservative (Chapter 5, Conservatism), but the working definition of a "conservative" that pervades the writings and pronouncements of 'liberals' is as follows: anyone who disagrees with their philosophy, their schemes, their interpretations, their opinions, their goals, their criticisms, their plans to oppose Israel and support Palestinians' terrorism, their anti-American agenda, their destructive views of preserving the environment, their push to make relative all established and proven standards of morality, education and discrimination; and their interpretations of the Constitution and the Law.¹³ Is it reasonable to believe in Socialism? Is it rational to believe in Capitalism? In the following chapters I present definitions and discussions of both. This should bring clarity of understanding and lead one to grasp the importance of the far-reaching relevance of each.

1 Thomas Sowell, *Vision Of The Anointed*, New York: Basic Books, 1995, pp. 5

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2 David Horowitz, *The Campus Blacklist: An Interim Report*, www.townhall.com, April 21, 2003.

3 Sean Hannity, *Let Freedom Ring*, New York: Regan Books, HarperCollins Publishers, 2002, p. 118.

4 Ludwig von Mises, *Socialism*, Northampton: John Dickens and Co., Ltd., 1969, p. 29.

5 Printed in the Press-Telegram of Long Beach, California on January 2, 2003, p.

A11.

6 Ann Coulter, *Slander*, New York: Crown Publishers, 2002.

7 David Horowitz, *The Politics of Bad Faith*, New York: Free Press, 1998, p. 46.

8 Thomas Nagel, *The Last Word*, New York: Oxford University Press, Inc., 1997, p. 6.

9 David Horowitz, *ibid.*, p. 3.

10 Michael Nagler, *California Monthly*, The Magazine of the California Alumni Association (University of California), Berkeley, California, December 2001, p. 27.

11 Thomas Sowell, *The Vision Of The Anointed*, New York: Basic Books, 1995.

12 David Horowitz, *The Campus Blacklist: An interim Report*, www.townhall.com. April 21, 2003, p. 1.

13 I compounded this definition after reading several authors, including William Bennett, David Horowitz, Walter Williams, Thomas Sowell, Ann Coulter, Sean Hannity, and David Limbaugh; and listening to Rush Limbaugh, Sean Hannity, and Oliver North, to mention just a prominent few.

Chapter 1 – Our National Best Interest The physical science standard of rightness is rationality.

-- Andrew J. Galambos¹ For many years now I have been hearing the names “conservative” and “liberal,” “right wing” and “left wing.” The conservative right is usually promoted with an energetic verve; the ‘liberal’ Left is usually advocated with an arrogant condescension and with a large, but derogatory, vocabulary used only by the Left.

The terms left wing and right wing have their origin in the position the people sat in relation to the power that ran government.

Those in ‘opposition’ sat to the left, and those in agreement sat to the right. The authority at one time was the king. Interestingly, in the days of the French Revolution those who were in ‘loyal’ opposition to the king would have then been the “left-wingers.” In the war for American independence, those opposing the king would be “left-wingers” till they won then they would be “rightwingers.” Today, those opposing the founding fathers are known as “left wing” (‘liberals’). So, it is interesting that these political names, left wing and right wing, simply have different meanings in different countries at different times.² Has anyone heard people of this Left stance propose positive alternatives to what they claim are “unworkable” plans that “benefit the rich?” I have not, but their negative criticisms reverberate continuously on television and in most newspapers. Criticism puts the person criticized on the defense. It forces rebuttals and explanations of innocence and thus dilutes any discussion of concepts.

It puts debate nearly out of the question.

The conservative point of view today is for the preservation of the intent of the founding fathers of our country. The ‘liberals’ insist on their re-interpretation of the Constitution asserting that it is a “living document,” which must change with the “evolving societal reformation.” In fact it is they who work by subtle means to bring about their form of reformation through “cultural relativism.” Such ‘relativism’ is a crass undermining and redefining of historically proven values of responsible actions. This is the inevitable tug of change versus the status quo. Disagreement is always asymmetric in terms of power. The noisy dissenters always catch more public attention than those who represent the status quo.

The trouble is, to achieve 'social justice' you have to create a class of political elites who demand to be the gatekeepers and arbiters of distributing other people's wealth. As soon as such an elite class exists, the distortion of prices begins. The elites benefit personally, and the costs are diffused to those who have little political power; i.e., the common citizens carry the load.

Driven by an all-consuming conviction that they must stamp out the system of "injustice" (mal-distribution of wealth) and "capitalistic suppression of the worker," the 'liberal' proponents continually work to further their program of dissolution of private property, which is the "Utopia" first theorized by the French writer, F. M. C. Fourier (1772-1837). This mad Frenchman wrote about an imaginary Utopian society based on "scientific order." He knew nothing of science and conducted no scientific experiments to test his social theory. And he cited no examples of any success with its application.³ Today, intellectuals propagate their theoretical egalitarian programs (though thoroughly disproved by historical facts) that "all values are equally important," and moral convictions derived from long worked-out, enduring social principles of conduct, are now to be promulgated by the 'liberal' agenda as relative; that is, neither good nor bad, but changeable per situation, thus not permanent. This is antithetical to the strength of morals and ethics derived from proved principles.

To a young mind desiring direction and believable authority, the sounds of social justice, equality for all, the exploitation of the worker, and the 'imperialistic' aims of the United States can be infectious and convincing. Reinforcement of that message comes with a rush of examples of how the poor are downtrodden by the "noncaring" capitalists who misuse the poor and deprive them of what they "deserve," which they, the capitalists, take away from them.

There is a continuous re-iteration that the capitalists get rich by "ill-gotten" wealth. In other words, students are bombarded with the idea that "the capitalists become rich by exploiting the poor." For such emotional utterances to those students, there is no need for thoughtful reflection or comparison, which is difficult when only one side of an issue is presented. The youthful desire to think for him- (her) self becomes influenced by what the teacher (authority) has instilled, so that is the way "to think." With little of life's experience and responsibilities, such indoctrinated students learn quickly, but without understanding, how to mouth the collectivist slogans of derision about the 'despised' Capitalism.

Many, if not most, are easily taken in by such blaming oratory rant that preposterously accuses Capitalism of those offenses. In my opinion, turning youthful exuberance into hateful political action is an atrocity.

I try hard to write clearly and precisely, but when I read statements of such cogent clarity as author Thomas Sowell's⁴, I defer to his quotation: Creating mindless followers is one the most dangerous things that our public schools are doing. Young people who know only how to vent their emotions, and not how to weigh opposing arguments through logic and evidence, are sitting ducks for the next talented demagogue who comes along in some cult or movement, including movements like those that put the Nazis in power in Germany. If students haven't been taught to think, then they are at the mercy of events, as

well as being at the mercy of those who know how to take advantage of their ignorance and their emotions.

Sowell's point is that the demagogue demands and gets conformity.

Of course, learning ceases when conformity becomes the norm for knowledge transfer.

The English language is replete with terms that can have more than one meaning. Or, words can be used in different contexts to imply totally different intentions and implications.⁵ It is important to use precise definitions so that a listener may know for certain the meanings of the ideas being presented. In the articles and books of 'liberal' writings I have read, absent are precise definitions of terms, despite the continuous repetitions of their favorite expressions and criticisms.

If I know what one means when one uses specific words, I have a chance to understand the concepts that are presented. Likewise, if I present clear definitions of terms, another person can understand what I am presenting. Only then can devious and oblique meanings-of-convenience be disregarded. Clear and reproducible rational thinking is possible with clear definitions.

One example is the word revolution. It means a turning around. If one uses the word revolution to mean a turning around of ideas, but the person listening understands it to mean a war, then a misunderstanding will occur, and clarity of communication about its application is lost.

Another example is the very subject of this essay, namely, Capitalism.

If I use the word to mean free exercise of entrepreneurial activity and market exchange, and the person to whom I am speaking believes it to mean the 'unfair' directing of the economy, then disagreement is inevitable.

A new use and misrepresentation of the very proper word discrimination have emerged. No longer in common usage is it a discerning between good and bad actions. Earlier it used to be understood as the differentiation between honest and dishonest character or between ability and inability or as Webster's "making or evidencing nice distinctions." Too often now, the politically correct (pc) use is to imply the negative overtone of race and the prejudice associated with it. In the case of interviewing for a job or school entrance, then the discrimination against race versus the discrimination against dishonesty or inability can mean the difference of acceptance, but too often in today's pc usage all forms of 'discrimination' are considered equally intolerable, and one must be cautious in making use of it. But, discrimination, when used correctly, remains a powerful tool to differentiate or distinguish accurately.

Diversity has now achieved front-page importance because of the June 2003 Supreme Court decision regarding the State of Michigan's practice of 'affirmative action.' In his pivotal editorial, Shelby Steele⁶, a research fellow at the Hoover Institution, wrote: Apparently diversity and race are synonymous in the mind of Justice Sandra Day O'Connor, who delivered the opinion of the court in *Grutter v. Bollinger*. "Compelling interest in a diverse student body is not prohibited by the constitution," she wrote. So diversity, this most spurious of notions, is now undergirded with constitutionality along with race. And when race and diversity stand together as legitimate—even constitutional—principles, we have arrived at the threshold of legally sanctioned

racialism. Because diversity works by group preferences, all the individuals in these beatific diverse environments must pursue a good part of their self-interest through their racial groups.

The word right is used frequently but has many meanings. It can denote the opposite to “wrong.” Right can also mean simply a direction. The word also has a political usage as in ‘right wing.’ It can also represent an entitlement (e.g., ‘right’ to medical care) or a claim like the ‘right to free speech.’ It is therefore important to be precise in the intended use of the word.

In common usage, rights have been transformed into entitlements.

Lots of victims and lots of plaintiff lawyers keep the list of entitlements growing. Actually, such lawyers are really a ‘shadow’ form of government since they work to redistribute the private sector’s resources. They enrich themselves, and the courtroom becomes their forum in which they work out the redistribution.

These are just a few examples of words that can mislead an earnest conversation if precise definitions are not forthcoming. Of course unwillingness to accept precise definitions can be a barrier to honest discussion, but in casual conversation, few people actually recognize and follow the rules of proper debate.

Too often, when conversing, people of opposite political beliefs are interested only in presenting their own thoughts. They rarely listen attentively; they merely wait for the opportunity to insert their ideas. Taught to me by my dear friend and mentor, Dr.

Henry Grant, is the Latin aphorism: *Audiatur et altera pars*: let the other side also be heard; or in other words, listen to the other. Although the value of accurate definitions is to avert misunderstanding, philosophical disagreements will still occur.

The widespread social pathology being experienced today includes “cultural relativism” (multiculturalism), sexual promiscuity, exculpation of criminal conduct, lax standards of judging unacceptable actions, and resignation to inaccurate spelling and grammar. Loose linguistic standards extend to include ‘free speech’ of gutter words. Does this mean we must now accept this use of ‘free speech’ in expression of disrespect of parents, teachers, employers, and the law? Mario Savio, leader of the 1964, gutter “Free Speech” movement at the University of California at Berkeley, must be jumping with glee.

Another manifestation of this pathology is the ‘chic’ use of drugs in the more middle and upper income groups as well as by the ‘poor.’ The increased miseries of the poor can be traced easily to the middle-class intellectual ‘plaything’ of cultural relativism, where there is no ‘higher’ or ‘lower’ culture. Difference (but no judgment) is the only distinction between the two levels of culture in that ‘intellectual’ construct. The blame for the rapid spread of this debased cultural concept lies directly in the lap of many accepting middle-class intellectuals during the last three decades since the 1960s, even though the origins of those ideas began much earlier. This is reflected in the degenerate nature of rap, so-called ‘music’ and its large audience of naïve and rebellious adolescents.

There is a causative relationship between views that the ‘liberals’ advance and the increasingly disastrous cultural decline of the last few decades.

What is this middle class ‘intellectualism,’ and how did it develop?

Answer, it is a self-imposed concept of being 'elite' based upon a self-deception and an inner dishonesty, requiring a rewriting of history. An in-depth discussion of this definition and how it developed by accepting and spreading the philosophy it obtained from the Fabian socialists of Great Britain will be offered in Chapter 4. For now, it is important to understand that the general degradation of cultural values derives from those ethereal concepts of collectivism and the subjugation of the individual to the state (big government). Those ruinous convictions are doggedly pursued by those who are dedicated to pushing their agenda down our throats by any devious method they can. Happily, free markets work the other way. They promote self-interest and the pursuit of happiness, and they are a powerful neutralization of tyranny.

The 'liberal' socialists have a chance to triumph if they can debase the traditional moral strength of free people. Free citizens' defeat is easier if the socialists can degrade individual achievement by the substitution of group affirmative action, by encouraging acceptance of mediocrity, by providing political advancement of race rather than through achievement, by repudiating moral values, and by the advancement of the welfare state.

Professor James McPherson of Princeton University presented a ludicrous and weak justification for "affirmative action." He claimed that his generation of white males received a great deal of support from faculty and families to a career, while minorities and women did not. He lamely suggested further that he was a part of a generation born "during the trough of the Depressionera birth rate," so that he entered the job market just when the baby boom generation was being educated, at a time when relatively few people from the previous generation were around to educate them. Because he was spared the "exhausting job searches of today," he called that "a sort of demographic affirmative action." McPherson's feeble conclusion was "Having benefited in so many ways from these older forms of affirmative action that favored white males," (italics mine) he could not condemn the newer version that "seems to disadvantage this same category." Thomas Sowell⁷ recognizes correctly that "McPherson's argument confuses gratitude with guilt." What a perverse attempt to redefine encouragement to improve oneself as an "advantage not enjoyed by minorities." Four immediate, individual examples to the contrary are well known; namely, Supreme Court Justice Clarence Thomas, Secretary of State Colin Powell, Professor Walter Williams, and Radio Talk- Show Host Larry Elder (Attorney At Law), all of whom are successful members of their minority race who publicly have recalled their early parental encouragement to work hard to succeed but without "affirmative action." Frequently, in the news and on television, one can now hear girls and women happily reporting the same thing.

'Liberal' intellectuals erase personal responsibility by reversing the culpability of criminals into being "victims of an unjust society." * Add the worn justification of a "childhood of bitterness and abuse," and they thus mitigate the effectiveness of necessary police activity and thus assail the security for neighborhoods. The result is an unprecedented increase in crime as is happening in London, England, particularly in the underclass.⁸ Declining personal responsibility and increasing crime statistics are occurring also in this country.

The very basis of the present Western civilization is being undermined by an ideology that maintains the opposite. Allen Weingarten⁹ of Morristown, N.J. lists factors that he

observes have brought this gradual decline of responsibility: 1. Man is not responsible for his behavior, but society is to blame.

2. The productive deserve less, while the unproductive deserve more.

3. There is no fundamental difference between right and wrong.

4. The aim of society is to give benefits to the needy, instead of securing justice.

5. The purpose of government is democracy, rather than security by the restraint of external aggression.

Weingarten's observations are "right on." * Compare with the concept of responsibility based on ownership of one's own actions, Chapter 2.

When I grew up, in our home high standards of morality and honesty were present and pervaded the family environment.

When my brothers, my sister, and I met our parents' expectations, they gave us positive encouragement and recognition for following those models at home, school, and church. Going against those expectations garnered disapproval and reproach.

This method repudiates the popular "self-esteem" movement of Jesse Jackson that we see in today's schools.

As we matured there seemed to be a presumption that there would be notice of our good actions by those who shared our same pattern of belief and action. In fact, that reckoning widened to the expectation that 'being good' would be obvious and appreciated by everyone. Whoa! That was a naïve assumption, but I have observed that this positive pattern of teaching does produce responsibility and good character in children and ultimately responsible adults. Behaviorists would say that children are programmed to copy behavior that leads to rewards. Of course, this is analogous to what markets do for investors.

However, projection of such expectation of appreciation and trust into the political arena is also naïve. Being taught the basis of the founding of this nation at home and at school with the pride in the flag and the Pledge of Allegiance, I, like most of my contemporaries, naturally expected a universal acceptance of those concepts by friends and fellow citizens. I have to admit that it was a shock (at first) to experience opposing views by 'liberals' and socialist-thinking types. Earlier, I was not prepared for their negativity, denunciations, and illogicality. That has changed.

Many authors have commented on the decline of family values here in the last few decades. One well-known author, William J.

Bennett¹⁰, in his 1993 publication, *The Book of Virtues*, collected hundreds of stories in an instructive and inspiring anthology that will help children understand and develop character and responsibility.

These stories are a rich source of moral literacy and an inspiration to those seeking a strong and healthy integrity. What a contrast to the moral relevancy of the 'liberals' and intellectuals! Although some may see Bennett's gambling as a flaw, I believe that it does not affect his stories of virtue because it was his personal money to lose, and it did not negatively affect others' personal property.

The Boy Scouts of America teaches boys responsibility to each other and to their leaders. Self-reliance develops as various skills are learned. Leadership is taught and taken seriously. Honor, honesty, reliability, and usefulness to others are emphasized. The Girl Scouts teach the same principles to girls. These important attributes are learned in an atmosphere of fun, much of it outdoors.

In short, while many youth-sports programs, with their emphasis only on winning, take the attention of so many of our children and youngsters, the qualities of the Boy and Girl Scout programs are too often pushed aside. The atmosphere only of “winning” is too often at the expense of learning concern for others.

I do not wish to imply that ‘winning’ is not good. It is good.

What I wish to convey is that in learning only to win, the other qualities of character building may be minimized or left out.

There is often too little time to emphasize anything but playing the sport. However, to the credit of most coaches, good sportsmanship is still taught.

1 Andrew J. Galambos, *Sic Itur Ad Astra*, San Diego, California: Universal Scientific Publishing Company, Inc., 1999, p. 76.

2 Andrew J. Galambos, *ibid.*, p. 479.

3 Edward R. Annis, M.D., *Code Blue*, New York: Regnery Publishing, Inc., 1993, p. 108.

4 Thomas Sowell, “Artificial Stupidity,” editorial in the *Press-Telegram* (Long Beach, CA), April 7, 2003, p. A15.

5 Ludwig von Mises, *Socialism*, Northampton: John Dickens And Co. Ltd., 1969, p. 81.

6 Shelby Steele, “A Victory For White Guilt,” editorial in *The Wall Street Journal*, New York, June 26, 2003, p. A16.

7 Reported by Thomas Sowell, “Quota ‘logic’ ignores reality,” editorial in *The Contra Costa Times*, Walnut Creek, California: April 25, 2003.

8 Theodore Dalrymple, *Life at the Bottom*, Chicago: Ivan R. Dee, 2001, p. 181.

9 Allen Weingarten, *Letters To The Editor*, *The Wall Street Journal*, New York: December 31, 2002, p. A15.

10 William Bennett, *The Book of Virtues*, New York: Simon Schuster, 1993. Chapter 2 – Capitalism and the U.S.

Republic I believed that wealth is not created by the dictate of governments but by the talents and creativity and work and inspiration of individuals.

-- Margaret Thatcher Capitalism Capitalism is self-perpetuating and always gets better because capital always flows to an application that generates the highest possible return, and that produces efficiency, growth, and improvement.

The system of Capitalism has built the most prosperous nation the history of mankind has ever known, and I will compare it with the failure of its present-day competitor, Socialism.

The word, Capitalism, is thrown around so frequently by those who believe in it and also by those who loathe it, that most citizens take it for granted and think that they understand it. To gain an operating understanding of Capitalism's inner economic workings, the recently published book by Dr. Thomas Sowell¹ provides a clear and simplified version (without equations) to those of us who seek a more thorough understanding of this system that generates abundant and growing prosperity in America.

L. von Mises² states, "If history could prove and teach us anything, it would be that private ownership of the means of production is a necessary requisite of civilization and material wellbeing." Since recorded history men have lived in varying degrees between voluntary free association and community compulsion.

Men and women can live creatively only under conditions of freely elected voluntary cooperation, or "a mature preference for the uncoerced man," as John Chamberlain³ wrote. Said another way, enslaved people make poor capitalists; in fact, they adhere to whatever odd or irrational standard is dictated to them because tyranny of any sort stamps out all forms of individuality (at least any public displays of it).

Capitalism does not require coercion, murder, or shutting people up in concentration camps to force compliance. It does not force men and women to accept incompatible occupations or products that first must have been approved by a planning committee or bureaucracy. Ludwig von Mises⁴ wrote clearly that, "The socialist wants to feed and house humanity and cover its nakedness. But men prefer to eat, dwell, dress and generally to seek happiness after their own fashion." (Italics mine) After all, a free market is really just many individuals who are pursuing their own forms of self-realization with the full knowledge that no one will tell them what form those self-realized outcomes should take. There could hardly be a better practical pronouncement of Capitalism than, "Is it not lawful for me to do what I wish with mine own?"⁵ The importance of property to each individual is observable. But it is quickly apparent how inexact it is to try to measure the subjective value of property of anyone and compare it to the subjective value of someone else's property to that someone else.

Though it may be difficult to quantify the subjectivity of value, the market takes subjective values and generates objective prices.

It is true, *De gustabus non est disputandum*: there is no disputing about tastes. But tastes make markets effective because they fuel innovation.

Ownership of property is necessary for the free market. The free market permits comparisons of items, which leads to the creation of value. John Chamberlain⁶ observed, "The market is the characteristic institution of Capitalism, ... It is what results when free choice is applied to the disposition of property." The seller seeks to cover the costs of materials, labor and energy expended and to earn a profit. The buyer seeks to save labor, energy, and materials by making a like-value exchange. These two subjective evaluations meet at the agreed-upon price. In a free market, these transactions move forward rapidly because individuals on both sides of the transactions trust one another, and they believe that they will experience a variety of objective and subjective benefits. Creating the perception of those benefits is the core basis for marketing.

Free market economics require the rights to life, liberty, and property (or in earlier writings, “estate”). These three requirements form the basis for human optimism and the accumulation of confidence about our individual and aggregate futures. Remove any or all of those conditions, and life becomes more primitive and much less predictable. These three entities are necessary if there is to be any economic calculation and therefore any creation of wealth.

It was John Locke’s Second Treatise on Civil Government, which inspired the founders of the United States. Locke wrote in 1667, “If a government is derived from the people, it can only have the power necessary to their own preservation” (protection). According to Locke, the business of government was to make as few laws as possible. There was need for “laws ...only for the security of the government and protection of people in their lives, estates and liberties...” Locke regarded property as wholly important to freedom.

Prescriptive property rights were the substance of the Magna Carta in England in 1215 A.D. and were guaranteed by it. Thus, Englishmen from the early thirteenth century held that rights came with birth and not from any permissive act of a king or state, in contrast to France where there was no such safety of life, liberty, and property. The principles articulated in the Magna Carta form the most stable social system because they emphasize decentralization and diffusion of decision-making away from a central power (political elite) in favor of a market made up of countless individuals who each pursues his own form of happiness (“De gustabus” all over again!).

In England, at the beginning of the seventeenth century, the Stuarts came into power and tried to assert again the earlier “divineright” theory of rule, but the courts led by the resolute Chief Justice Edward Coke almost came to war with the crown. Justice Coke provided most of the groundwork for American constitutional law by his insistence that no one could be deprived of rights without full and fair hearing within stated government powers. He also asserted that monopolies and impositions upon trade came under the heading of “deprivations of liberty.” The American colonists fought for life, liberty, and property.

They soon found that neither life nor liberty could be sustained, nor happiness pursued, without a special type of government, which would guarantee respect for contractual relations among property holders who wished to trade in a single currency across State lines. They established the Constitution of the United States in Philadelphia and ratified it in 1789. Without this American political structure there would have been no dynamic Capitalism.* Alexander Hamilton strengthened the government by making it responsible for all of the debts accumulated during the War of Independence. He used debt to unify the country. Brilliant! His move was in the best of capitalist principles because he knew that generally people pull together harder to reduce or pay down debt.

Capitalism is a very large concept. It is the system, which provides for the needs and wants of the people (consumers) in the best and most efficient manner. The US founders understood it well, knowing that free trade and commerce were essential to the success of the federation. Interestingly, Adam Smith’s, *The Wealth Of Nations*, was published in England in 1776, the same year as the proclaiming of the Declaration of Independence.

Adam Smith’s work was the first extensive treatise and elucidation of Capitalism and provides a great in-depth clarification of how the system operates and what derives from

it. He gives an excellent description of the power of the “division of labour” and its meaning for the building of free enterprise. He defines the division of labor as the “separation of different trades and employments from one another.” This is of course the basis for productivity enhancement, which is currently on prominent display in the American economy. Since 2000, the economy has grown 10% (about a trillion dollars), but it did it with about 250,000 fewer workers in the labor force.

* This short synopsis of the history of English and American appreciation of respect for property and liberty is based on Chapter 2 of John Chamberlain’s book, *The Roots of Capitalism*.

Consumers want to be satisfied. It is they who determine what makes a man less or more prosperous. It is the consumers’ application of the yardstick of their own personal wants, desires, and ends that demonstrates the popular and successful system of the market. The entrepreneurs (business organizers and owners) who provide the items and services required for the satisfaction of those consumer desires and wants, in the best and cheapest way, are the most who succeed in becoming wealthy. Entrepreneurs are opportunists who believe that they have found a higher return for capital and that their unique use for that capital has a riskreward ratio that can be tipped in their favor. Basically, under Capitalism, everybody’s station in life depends on his own doing.

It is timely here to present a definition of Capitalism. The definition in Webster’s *Encyclopedic Unabridged Dictionary* (1989) is the one generally accepted; namely, “...an economic system in which investment in and ownership of the means of production, distribution, and exchange of wealth is made and maintained chiefly by private individuals or corporations, esp. as contrasted to cooperatively or state-owned means of wealth.” That dictionary definition describes only some of Capitalism’s characteristics. A more all-encompassing definition can be given in terms of property: “Capitalism is that societal structure whose mechanism is capable of protecting all forms of private property completely.” This definition by Andrew J. Galambos⁹ depends upon a precise definition of property, which he divides into three categories: 1) primordial property, or life itself, 2) primary property, that is, thoughts and ideas, which are the first derivatives of an individual’s life (sometimes called intellectual property), and 3) secondary property, derived from ideas and actions.

The paraphrased following is based upon the *Thrusts For Freedom* written by Andrew J. Galambos: Man first owns his own life. No one may own anyone but him or herself. Thus, ownership of primordial property excludes slavery from the start. Children are not property, because they have property rights of their own. Until children reach the capability of caring for themselves, parents (or those who raise the children) are their guides. Men do not own women as in primitive civilizations and some third-world countries of today.

Thoughts belong to the individual who thinks them. Ideas are communicated thoughts. To recognize that ideas belong to the person who originates them is a major step to respecting and protecting primary property. By recognizing the ownership of primary property, intellectual freedom arises and inspires expansion of knowledge and production.

All personal actions result from personal thoughts and ideas. Put another way, personal thoughts and ideas precede personal actions.

It follows then that ownership of one's own thoughts (one's own mind) means that one must also own one's actions! Distinctly, the ownership of thoughts and ideas (primary property) places the responsibility for a person's actions squarely on that person, not on "society." It is true that parents, teachers, churches, and environment influence the development of character and behavior, but individual actions are the ultimate responsibility of the individual.

Ownership of thoughts and actions are clearly property rights.

Uncoerced human action is called liberty, and since all human rights depend upon man's liberty, it follows that all human rights are property rights. These include the access to and use of land and the production, utilization, enjoyment, and the disposal of material, tangible goods of all kinds (including consumer goods, architecture, and the means of transportation).

Further extensions of man's life and actions lead to voluntary transactions (contracts) involving property transfers (sales, trades, gifts, etc.). Involuntary transfers of property result from coercion; that is, with coercion, property ceases to be property and becomes plunder.¹⁰ Of course, it is obvious that education is necessary to learn the vast history of ideas and institutions that originated earlier. True and accurate history is the story of the building of civilizations.

Unfortunately, however, much history today is altered to favor various groups with specific philosophical agendas. Accuracy of the history of the origin of ideas requires understanding, frequent repetition, and open clarification. Debate assists clarification.

The correct role of government is to protect property rights (all forms). The protections of those property rights in the US today are attempted through patents, trademarks, copyrights, licensing agreements, royalties, and the like. The theft of such property becomes an 'art form' in countries that fail to protect such rights.

China is a good example. To force companies to give up their inventions because of complaining competitors is coercion.

There is great practicality in appreciating and accepting Galambos' definitions of property. Recognizing the ownership of one's life and one's mind (with its ideas and creations) makes simple the concepts that derive from them; e.g., 1) responsibility for one's actions, 2) the protection of primary as well as secondary property, and 3) the consequent protection of privacy.

In his concept of TOTAL CAPITALISM, Galambos¹¹ portrays Capitalism as "more than an economic system; it is a way of life which is both moral and practical as no other system can be, and one of its characteristics is a free enterprise economy." He also called attention to the fact that a full, unencumbered Capitalism is not operating freely now because of the gradually increasing bureaucratic interference and controls which impair its correct functions.

Most of what Capitalism's critics decry as faults of the capitalistic system is the result of the government restrictions heaped upon enterprises. Much inconvenience and increased

cost to consumers are the usual consequences. This is when the role of government acts as an instrument of behavior change. Our tax code is a veritable accumulation of social engineering rules.

Our huge price supports for farmers merely bankrupt and help destroy small competitors in other nations. When the government subsidizes something we get more of it. The Scandinavian countries subsidize and support drug addiction and of course, they get more of the behavior that they are trying to reduce. Inevitably the cost of these programs must rise and the level of taxation has to expand. The public sector then becomes an ever-growing millstone around the neck of the private sector.

Ideas precede the development of secondary property. Products, companies, and corporations, all derive from thoughts, dreams, vision and planning. Absent external, coercive interference, ideas lead to inventions, inventions lead to products, and products require business structure to develop. Technology creates the tools and machines to manufacture the entrepreneur's ideas and inventions.

Manufacture and distribution of those products follow.

Capitalism succeeds because free people can work, earn, and save. It is the investor who uses his savings to invest in an enterprise.

Accumulated and invested savings are the resources to build and expand an enterprise. They are also necessary to grow an economy. When the savings rate is too low and government spending is too high, home industries are deprived of investment sources, and economies must rely on foreign sources of capital.

The entrepreneur, the technologist, and the investor combine to create the means of production to make the products, which will improve the standard of living of everyone in a free society. As a result of this combination and the freedom to carry it out, the United States has developed and enjoyed the highest standard of living yet created.

Fossil fuels are the major source of energy to drive the improvement of comforts of life. Atomic energy is a major and safe source of the generation of electricity, but those who have been miseducated in physics and the workings of the real geophysical environment have restricted it.

Under the title of "Liberty = Prosperity" in a most interesting opinion editorial in the Wall Street Journal on November 12, 2002, the author, Mary Anastasia O'Grady¹², reported the Heritage Foundation's 2003 Index of Economic Freedom, which indexed 152 countries into five categories ranging from "free" to "repressed" and six listed as "unrated." She said the Index indicated that economic freedom has advanced throughout the world. To quote O'Grady, "Europe and politicians may cling to the rhetoric of socialism, but on much of that continent, economic liberty is gaining ground." She wrote further, "Economically free countries tend to have higher per capita income than less free countries," and she provided tables to support her point. The reason for the higher per capita earnings of the economically free countries is their understanding and utilization of the stabilizing principles for which originally the American colonists fought; namely, life, liberty, and property. With these guarantees came respect for contractual relations. The existence and growth of the United States is the biggest evidence of the stability of this system and the use of the free market.

The successful entrepreneur benefits by the exchange of desired and saleable items for more liquid assets, and can expand his enterprise.

Motivated by the sale of his product, that producer will produce more. When sales decline, the producer will produce less. Hiring others to assist in production creates jobs and salaries, so that employees derive betterment and improvement in their well-being. They are not 'taken advantage of.' It is Capitalism that better the lives of workers. "Liberation of the worker" with Socialism is an illogical assertion by Karl Marx and his followers.

Professor Walter E. Williams wrote in 1997 that in human history Capitalism is relatively new. To quote Professor Williams, "Prior to Capitalism, the way people amassed great wealth was by looting, plundering and enslaving their fellow man. Capitalists seek to find what people want and produce and market it as efficiently as possible. Capitalism made it possible to become wealthy by serving your fellow man." Government cannot create jobs in a productive sense. Of course it can 'make jobs' by hiring more personnel, but it does not expand the economy because tax dollars taken from the economy are the source of payment to those personnel. Government takes rather than contributes. It siphons off rather than creates. Contrary to the claims of politicians, when they say "We must create jobs," the only way they can 'create' anything really is to get out of the way by reducing the hindering regulations and taxes, or to get off the backs of companies and corporations that do create jobs. The public sector only makes jobs for which the marginal productivity is either zero or negative! Saddam Hussein's invasion of Kuwait was nothing more than armed robbery. That's the problem throughout the Muslim world. They abhor free markets so they are left with violence as a way to 'build' wealth and influence. Since the Muslim world's effectiveness pretty much vanished by the 15th century, the Muslim fanatics are finding themselves pushed to the edge of irrelevancy in today's world. The trouble is they don't know of, or they refuse, any other way to compete in the modern world.

Why is it that people who create unprecedented convenience, longer life expectancy, and greater wealth for all who work should be heaped with scorn and ridicule? The most obvious answer is ENVY. Compare the US living standards with those of all third world countries. The people who create these conditions usually do become wealthy as a result of their entrepreneurial actions.

There is no way to conceive that they create poverty. There is everything proper about the resulting betterment to all those receiving those developed goods and services. One of the best examples is Henry Ford whose personal wealth, though large, was greatly overshadowed by the benefits to the common man, each of whom now could afford a car. A more recent example is Bill Gates of Microsoft and the positive effect his ideas and company have had on the businesses and personal lives of those who use his products.

Because of personal, proprietary interest, efficiency and improvement are continually at the forefront of the development of all successful enterprises. The profit-seeking entrepreneur strives continuously to satisfy his customers. Simply understood, the generating of wealth occurs with private ownership of the means of production.

Markets can support conscious, moral choices when trust is in place and fair values are exchanged. In a voluntary market exchange, there is a responsibility of each party to the

other. The first responsibility is on the part of the seller who must deliver proper goods or services. The buyer's responsibility is to pay as agreed. This is a bilateral transaction from which both parties benefit. It is a win-win situation, and that is the way unfettered free enterprise works. There is no disadvantage to anyone. No one is exploited because there is no coercion.

To shift one of the market-transaction parties involuntarily away from the other alters the interest and the responsibility of the negotiation.

Thus there can emerge factors, which dramatically revise the voluntary exchange of goods and services. Government intervention (involuntarily shifting the forces of free-market exchanges) distorts the factors of the otherwise voluntary marketplace, introduces inefficiency, and destroys incentive. By definition, we know that to be coercion.

Negotiations in contracting are designed to reduce transaction costs because all transactions in the market have costs. On the other hand, government regulations increase those costs.

When a government or central despot orders and manipulates production, then a take-it-or-leave-it situation prevails with no alternatives or choices. Competition disappears. Satisfaction is minimal, and there is no recourse for inferior service. No despot or bureaucratic central committee can reproduce the limitless product development or abundance in a free capitalistic system.

The overwhelming general poverty of the former Soviet Union citizenry and their dissatisfaction regarding the lack of consumer goods attested to that.

Successful Capitalism depends on trust and the exchange of fair value between producers and buyers. As long as both conditions persist, the bargain continues. Socialism fosters only dependence.

From the individuals' perspective in socialized systems, selfreliance wanes, and over time it is replaced by learned helplessness.

In that entire social system, individuals who have learned to be helpless become so timid that they fear self-reliance and actually criticize it as an aspect of personal freedom. In this respect, Socialism is a form of engineered tyranny that institutionalizes and nurtures dependence.

A question that I believe worth asking is, why is the agenda of Socialism ('liberalism') propagated by making negative accusations of the positive program and concepts of Capitalism? This negative approach is too frequently heard from our campuses and read in textbooks of higher learning. I believe that the answer lies in part with their push to make the 'liberal' agenda sound good by making the principles of ownership of private property appear "unjust." But, on the other hand, I ask how in the world can 'no ownership of private property' sound good?

Socialists really have very little to offer the individual who wants creative goods and services. Since socialists eschew the encompassing principles of the free market, they have to force their version of taste on the masses. That is a poor substitute indeed for consumer-driven innovation.

In attempting to find accurate reporting of the facts of the development of this country's true and successful entrepreneurs, the author, Burton W. Folsom, Jr. 13, wrote that he examined (and listed) many of today's college textbooks, which reported the opposite results of the true stories and actions taken by the famous, successful entrepreneurs Cornelius Vanderbilt, James J. Hill, and Andrew Mellon, all of whom achieved their success without the aid of the government. The accounts of these few entrepreneurs are described in Chapter 5.

If one favors a philosophy, then that one should work for its positive promotion instead of negatively criticizing and attacking an opposing philosophy. Negative opposition accomplishes nothing positive and is thus a waste of effort and time. Even being anti-communist or anti-socialist by demonstrating and handing out pamphlets is a waste of time and energy. Being pro-Capitalism and pro-United States requires positive thinking and effort, and these activities are fruitful.

A reprinted editorial¹⁴ from the Dallas Morning News, titled "The Party's Over," reprinted in the Press-Telegram (Long Beach, California) on July 28, 2002, states that the arrest of Adelphia Communications founder, John J. Rigas, and two of his sons for siphoning off corporate funds for personal loans "epitomizes capitalism's avaricious side." Pardon me! Capitalism has no "avaricious" side. People may be avaricious and greedy, but the system is not. Still, in the same editorial, the writer did get it partly right by stating: "Capitalism's commission is not to promote the unchecked self-interests of a few top executives, but to honor contracts and promises to investors and employees who are also part of corporate successes." 'Liberal' slurs on the persons who propose positive plans for the betterment of society comprise a favorite mechanism of the socialist assault. By putting the proponents of Capitalism on the defensive, they are made to appear weak, and if done by implying that they are not truthful or by out-and-out accusing them of lying, then by 'liberal' intent, those proponents of Capitalism are intended not to be believed. Thus, promoters of Socialism hide their real motives and do not have to defend their position by logical debate of issues or programs. Usually they rely on their attack to discredit opponents instead of proposing positive alternatives to what they assail. As a result, the 'liberal' avoids true and rational discussion.

In her recent book, Slander, Ann Coulter¹⁵ over several pages describes how President Ronald Reagan was made to appear "dumb and senile." Yet for all his 'dumbness,' Reagan "was re-elected with the largest electoral college total ever. He went on to end the Soviet Union, preside over a booming economy, and translate his immense popularity with the public into another landslide election for his vice president." The U.S. Republic America has been a country of immigrants from its very beginning.

The 'melting pot' concept is a real one, and ideally the concept of equal before the law levels the playing field. The degree of justice in the US is high and has the ideal that everyone is treated equally. The goal of "equal before the law" was established and is defended here in the US. Equal treatment within the confines of the law is essential because true Capitalism's various markets are "meritocracies." They offer the greatest rewards to those who can create the greatest value. What happens in organizations when equality in raises and promotions replaces merit? Under those conditions do star employees stay or leave? In the public sector (and also with unions) the problem is that equality is favored over equity-in-reward decisions.

Those in opposition to the principle of equal-before-the-law point out the inequality of slaves before the Civil War, the blacks' unequal treatment since that war, and the late attainment of the vote for women as three of the big negatives of democracy in this country. Now, what the opposers fail to realize and acknowledge is the fact that our founders established a mechanism of correction of problems that had existed for centuries prior to this country's founding and beyond. Conceptual changes do not immediately change biases and actions of people when they have been accustomed to other long-standing systems of societal traditions. Witness the heated discussions and compromises on slavery among the original States' representatives to the Continental Congress when hammering out a constitution. The founders put off the issue of slavery because they thought the new union was simply too fragile, yet they did establish the correct concept on the law that now prevails.

Equality before the law protects the benefits of Capitalism to mankind, which makes private ownership of the means of production possible. It was designed to protect the citizens and their private property. Von Mises wrote, "Social peace is attained only when one allows all members of society to participate in democratic institutions. And this means equality of all before the Law."¹⁶ (Italics mine) Equity and merit are the rules in free markets. But, those making unwise decisions often use our legal system as a regulator or governor of markets because there is no requirement that market participants must be smart.

The concept of importance of each individual's pursuit of happiness gives a wider meaning to the idea of equal before the law, because every individual's importance is as valid as everyone else's. Said another way, one man's goals are as valued as any other man's, and his pursuit is as valid as any other's, so long as his (or her) pursuit of happiness does not interfere with anyone else's.

The whole Constitution and Bill of Rights were conceived to insure protection of individuals, the rights of States, and the kind of equality of opportunity not experienced before in history. The Constitution and the Bill of Rights protect freedoms, and the system of Capitalism guarantees equality of opportunity.

It is worse than a shame that the National Education Association (NEA) in the public schools has so drastically reduced the teaching of the historical background of these concepts and their formation.

The NEA general membership tends to be less interested in politics, but the officials are 'elites' driven by what serves their interests, which tend to be political and "left-leaning."¹⁷ It does take some intelligent effort and desire to understand markets and how assets are priced. Schoolteachers are traditionally not an indepth source of economic thinking. Perhaps they can teach students the basics of balancing a check book, but they seldom are interested or qualified to teach those students how markets work.

Frustrated ambition occurs to some people living in a capitalistic society of "equality under the law." It is caused by the fact that in such a society, the inequality of people with regard to intellectual abilities, will power, and their application become readily apparent.

Markets ignore equality but reward merit (ability to create value). Individual capabilities and levels of intelligence from birth are not equal, but the idea of the "pursuit of

happiness” is a brilliant realization of equality of opportunity, and each person can pursue his or her own happiness when not hampered by coercion.

Patriotism to this country, which protects the freedom of the pursuit of happiness, is part of the appreciation of sharing this freedom. It is the height of ignorance and ingratitude to burn the flag, the symbol of that freedom. It is understandable for anyone to pronounce, “I don’t want to send my son or daughter into harm’s way.” It is a sacrifice to volunteer one’s self, and it is the greatest sacrifice to lose one’s life for the cause of freedom. Still, what if that had been the predominant sentiment at the time of the War of Independence? “Sons and daughters” * have been the ones to win and preserve our great nation. What kind of nation would we have if no one were willing to fight to preserve it?

I recognize that conscription at the time of war does abridge individual freedom, and it may be rightly argued that without conscription the loss of our nation by war involvement would certainly be by the loss of our freedoms and our protection by the nation’s laws. What I am saying is that peaceful discussion in lieu of self-defense will not save a nation under enemy attack. Of course a volunteer army is superior to conscription and is readily based on patriotism and conviction.

Freedom means that every person is unconstrained in planning his or her own life according to his or her own preference, but those plans and preferences must respect and not interfere with those of the other citizens. However, the freedom of choice to shape one’s own future cannot violate what are known as the laws of nature. All men are truly equal before the laws of nature regardless of their politics.

Conceptually, “equal before the laws of nature” and “equal before God” are the closest to equal we can get. The law is manmade, but the laws of nature are not. Man-invented law can be changed; natural law cannot. As an example, no one can defy the law of gravity without the aid of an invention that flies, glides, rockets, or parachutes. Equality before the laws of nature is absolute equality for all.

Equal-before-God is difficult to define and to agree upon, particularly with those who profess not to believe in God. Those who believe, define God as being “perfect and loving of every living being;” thus, “He will be equally just in His judgments.” But, since no real but only belief experience with the application of God’s justice exists, the idea remains an ethereal discussion and can have little real application except in discussions about the concept of equality.

* Everyone is a son or daughter.

Egalitarianism is quite another presumption of equal. This brainchild of Marx uses the word to mean the negation of the individual by his or her subjugation to the interests of the state and its central planning and control. Under that conception, everyone should own the same because ‘all should possess equal amounts’ by redistribution of wealth. “To each according to his needs” assumes that “needs” are equal. That derives from the erroneous idea that there is only a certain amount of available property so it must be distributed equally. In reality, in that system, poverty becomes the equality.

The Rule of Law refers to freedom of contract and enforcement of contracts, protection of private property, stability of laws, and a requirement that all persons (private individuals and government officials) are subject to the same laws. According to F.A.

Hayek¹⁸, the Rule of Law means that the authority of government is limited in all its actions and bound by rules fixed and announced beforehand (The Constitution).

These formal rules, made in advance, do not aim at the wants and needs of particular people. The Rule of Law and equality-before-the-law lie in contra-distinction to arbitrary government, which is direction of economic activity by a central authority whose planning necessarily involves deliberate discrimination between particular needs of different people. When we discover that corrupt individuals abuse our interests and confidence, we turn to the courts and regulation to restore order and our trust. The process may not always be direct or quick, but it works over time and our confidence (and optimism) is inevitably restored. Comparable mechanisms simply do not exist in the fanatic's world.

In a convincing, effective, but disquieting article, Walter Williams¹⁹ writes about the threats to the rule of law. He gives several examples of the "ruthless attack" upon it in America and is well worth reading. One of the examples regards the competitors of Microsoft who employed "the heavy hand of government" to accomplish what they couldn't accomplish in the market. This resembles the competitors of James J. Hill (Chapter 5, Government Subsidies and Railroads).

Nonetheless, the Rule of Law, that is, legal decisions based on predictable rules and precedents, has frequently been supplanted by arbitrary rulings by left-leaning ('liberal') judges, such as the Ninth Circuit Court of Appeals in San Francisco. As an example, legal decisions, based on predictable rules and precedents, have been supplanted by arbitrary rulings by left-leaning ('liberal') judges, such as the Ninth Circuit Court. This judicial body ruled that the word "God" should be removed from the Pledge of Allegiance.

However, that power of decision rightfully belongs to the US Congress; that body inserted the words under God in the first place.

That Ninth Circuit Court of Appeals, in May 2002, ruled that "God" in the Pledge of Allegiance must be eliminated primarily on the basis of a lawsuit brought by a single individual, a Dr. Michael Newdow, in Sacramento, California because of his atheism.

He did not want this 'religious influence' imposed on his young daughter who, by the way, subsequently denied that it bothered her. The Ninth Circuit action is now pending appeal before the US Supreme court, but it is a good example how judges can sometimes use their own bias to change laws they personally disagree with from their bench.

The misguided notion that the word God must be eliminated because of the "separation of church and state" is a most weak argument and demonstrates a profound ignorance of the basic concept of such separation. Specifically, as stated in the First Amendment: "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof." (Italics mine) I penned an open letter addressed to Dr. Newdow who sued to remove "under God" from the Pledge of Allegiance in June 2002, and I submitted it to the Sacramento Bee newspaper.* I include it here because it expresses my reaction to his claim regarding the subject of "separation of church and state": * I never found out whether the letter was published.

Dear Dr. Newdow, Your justification for a lawsuit against the US Government to have the words under God removed from the Pledge of Allegiance because of your personal

atheist belief, in my opinion, is a deficient understanding of the separation of church and state and a disregard for “freedom of religion.” First of all, the concept of the separation of church and state arose out of the European religious persecutions that drove the first pilgrims to our shores. It was intended to oppose any establishment of a national religion, which would be advocated and backed by government coercion as in the pilgrims’ countries of origin. “Under God” is no coercive edict to cause any kind of submissive religious response by you or anyone else. Nor is it the establishment of any type of organization.

The concept of including God, as for instance “God Bless America” and “In God We Trust,” indicates a respect for a power greater than us. It reflects a desire for humility. The founders of our country constructed a Declaration of Independence, a Constitution, and a Bill of Rights, which reflect a system by which all people are equal before the law, and they did so hoping to be guided by divine inspiration (the power greater than themselves).

Whether your belief system includes God or not, and you insist it does not, under the guise of ‘preserving the Constitution’ you bring a suit to ‘protect’ and preserve your belief. Of course, the freedom of religion is already protected by the Bill of Rights. Your suit clearly shows disrespect for the religions of your fellow citizens and runs counter to the beliefs and patriotism of the great majority of them. This great majority includes large numbers of God-fearing and God-believing people who accept our protected religious freedom; this includes the religion of atheism. They are not suing to force anybody to submit to their majority belief.

Your lack of respect for any religion centered in the belief in God reflects a pretension bereft of respect for the peaceful beliefs of others. To bring suit defies respect for freedom of religion and garners undeserved attention to you. No one has forced or forces you or your daughter to recite “under God.” The simplest of solutions is simply not to say “under God” in the Pledge when you get to it.

The freedom is yours to disregard the concept of God and to withhold yourself from any God-centered religion of your choice. But to burden the judicial system with your disregard for religions practiced in the US whose center of belief revolves around their God, as they understand Him, and to insist that the nation should change the wording of a statement of respect because you disagree with it or because you are ‘offended’ by it, is impertinent. It is better for you to contribute positively to this freedom-loving and freedom-protecting nation than to call attention to your atheism.

People could feel offended by your disregard for their loyalties and beliefs, but those who might threaten you for your beliefs would be wrong and misguided. True, on the other hand, threatening you would be disrespectful of the very religious freedom that you claim to respect.

In my opinion, you would do well to keep your belief system to yourself and show respect for all your fellow countrymen who quietly enjoy their religious freedom and to those who pay respect to something greater than they when they use the word God. You are attempting to affect the importances and rights of others. Your rights have not been infringed, only protected.

In the words of the great Austrian economist, Ludwig von Mises, "It is insolent to arrogate to oneself the right to overrule the plans of other people and to force them to submit to the plan of the planner." Respectfully, David L. Wood, M.D.

It appears that the Democrats support the rulings in courts that 're-write' constitutional law in their favor. Such collectivist-leaning decisions have undermined and made ambivalent some of the basic tenets of free speech, gun ownership, and free associations in private organizations, to mention just a few; and higher courts have reversed many. Nonetheless, in the democratic system of this country only Congress and State legislatures are supposed to make the law, not judges. The recent (2002-2003) holding of Presidential judicial nominations in committee by Democrat Senator Tom Daschle and thus refusing to bring them before the Senate for a vote because they were held to be "too conservative," is a good example of the Democrats' tactics of forcing their one-sided point of view onto the whole country.

In a democracy, the Rule of Law means the predominance of regular law as opposed to the influence of arbitrary legislation to insure the greatest possible equality for all. The law in this country is based upon liberty and on private ownership of property.

Occasionally, attorneys are successful in their manipulations of the law, and in spite of "equal before the law," there may be questions of the law's impartial capability when influential or very wealthy people face trial.* Nonetheless, our system, which is based upon the ownership of private property, is the closest to equality before the law that has been devised.

In 1793, the lexicographer Noah Webster²⁰ proclaimed "the road is open for the poorest citizen to amass wealth by labor and economy, and by his talent and virtue to raise himself to the highest offices of the State." And, "By removing talent from the tethers of feudal privilege, equality before the law not only freed the individual, but strengthened society by increasing economic activity and creating wealth." However, Lawrence Stratton²¹ warned: "Today the distinctive liberal [in its original and true meaning] historic achievements of equality before the law, and its corollary---respect for the democ- * Consider the notorious case of O. J. Simpson and the controversies surrounding it.

ocratic process in which "We the people" rule, rather than privileged elites---is endangered. The race, gender, handicapped status, and increasingly sexual orientation of Americans have become the controlling factor in court cases, in the workplace, and at college." And, "Where liberal [in its true meaning] government was once based on a deep trust in the wisdom and goodwill of citizens and the subordination of government to the consent of the governed, the ruling premise of government and American ideological elites today is that race and gender interests have erected hegemonic discriminatory structures in law and employment.

Privilege before the law has displaced the ideal of equality before the law." (Italics mine) A Reminder of our Heritage On June 26, 2002, my wife and her sister (and we husbands) were present at the impressive annual Memorial Day Service at Flanders Field American Cemetery in Waregem, Belgium. It is held yearly to honor those Americans who fell in World War I defending precious Western freedom and the country of Belgium. By special invitation, the attending sisters were two of three living relatives of a soldier who

died in WW I and is buried there. The sisters' grandfather, Captain Leonard Wattelet, was killed close by just two weeks before the Armistice in 1918.

A young lady language student read aloud the famous poem, In Flanders Fields, by Lt. Colonel, Dr. John McCrae (written in 1918 shortly before he was killed). When the more than one hundred Belgian children attending held up little American flags and sang the Star Spangled Banner, it brought tears to our eyes. As a reminder, I am including that inspirational poem here: IN FLANDERS FIELDS In Flanders Fields the poppies blow Between the crosses, row on row, That mark our place; and in the sky The larks, still bravely singing, fly Scarce heard amid the guns below.

We are the Dead. Short days ago We lived, felt dawn, saw sunset glow, Loved and were loved, and now we lie In Flanders Fields.

Take up our quarrel with the foe: To you from failing hands we throw The torch; be yours to hold it high.

If ye break faith with us who die We shall not sleep, though poppies grow In Flanders Fields.

-- Lt. Colonel, Dr. John McCrae, 1872-1918 We went to Waregem to attend this annual service, which was also the 75th Anniversary of Charles A. Lindbergh's, flying over the 1927 Memorial Day ceremony. It was seventy-five years ago that Lindbergh flew over Flanders Field and pushed poppies out over the crowd at that service. During this 2002 ceremony, two pilots in a 1936 open-cockpit airplane overflowed the service and pushed poppies out over this day's crowd.

We were touched to hear many Belgians' express gratitude to us for the United States' intervention in both World Wars to save their country twice. In the light of recent, reported dislike in Belgium of the coalition war in Iraq, we were happy that there are still some there who openly appreciate America.

It is inspiring that the tradition of perpetuating the WW I Memorial is continued, and it would be well for children and students of today to be reminded more of their important heritage.

It has been in America's interests to attack and defeat tyranny threatening us, and we have excellent competence to do so. The military Abrams tank is symbolic of American superior capabilities.

The Abrams tank is technically and mechanically superior to any other machine in its category. Though several of the Abrams tanks have been disabled in battlefield conditions, the crews were always able to escape, and no one has been killed in one. Add to that, excellent communications, superior tactical and maintenance support, and superb training and morale, and one can readily observe the successful US military performance record. Over Bosnia, only one American fighter pilot was shot down. These superior and advanced capabilities are a result of entrepreneurial development in the free enterprise system.

Increasingly, I hope American battles can be waged and won through market power and innovation. Military muscle, used reluctantly (but used nonetheless) and economic power give America a formidable edge over the world's dangerous dictators.

Capitalism in Danger In 1776, a Scottish writer, Alexander Fraser Tytler,²² published a book describing the decline and fall of the Athenian Republic in which he wrote a prophetic statement about democracy: A democracy cannot exist as a permanent form of government.

It can only exist until the voters discover that they can vote themselves largesse from the public treasury. From that moment on, the majority always votes for the candidates promising the most benefits from the public treasury with the result that a democracy always collapses over loose fiscal policy followed by a dictatorship. The average age of the world's greatest civilizations has been 200 years.

Tytler described the life cycle of a democracy as progressing from bondage, to spiritual faith, to great courage, to liberty, to abundance; then to selfishness, to complacency, to apathy, to dependency, and back into bondage. This was his observation regarding the Athenian attempt at democracy, but does his description fit the United States of America? Good question worth pondering! Without the undermining by the socialist philosophy, would the suggested prediction of Alexander Tytler still occur? Another good question to ponder! With contempt and with relentless attempts to undermine, alter, and outright wreck the system of Capitalism, which is the source of growth and improvement of life comforts and longevity under conditions of liberty, the political adherents to the socialist mentality have made significant inroads into the very stabilizing institutions of America. These include assaults upon the Bill of Rights, the judicial system, the education system, and the US military.

Individualism is anathema to them; only egalitarianism to them is “just.” During the era of my own primary and secondary education in the Berkeley, California public schools (mid 1930s to the early 1950s), it was absolutely unknown to hear a teacher stand in front of her or his class and attempt to influence the young students to any political disposition. School was for learning; it was not a political platform for propagating a political philosophy, as is so frequently heard now.

My generation was, and all those generations since its origin on Oct. 12, 1892 were, taught in school to recite proudly the Pledge of Allegiance to the United States of America. As a matter of history, there was no controversy then about “under God” because it was not there. When that prepositional phrase was introduced in 1954, to me it interrupted the memorized rhythm of the Pledge and sounded awkward. For me it had no particular religious importance, just respect. It made the Pledge sound slightly different. But regardless of any rhythm difference, the pride in our country must be taught and the Pledge recited often because our nation, indivisible is with liberty and justice for all.

In the last three decades a debate has emerged about the very nature of the continued existence of our American nation. Balint Vazsonyi,²³ writing about the changes he has observed over the last three decades of the twentieth century, clearly contrasts the origins, the methods, and the end states of the two societal systems that I am discussing. He titles them “Franco-Germanic” in origin and “Anglo-American” in origin.

For his first classification, “Franco-Germanic,” Vazsonyi uses tamer labels than “totalitarian” and “socialist,” which are more aggressive names. Rather, he assigns “Utopian,” “statist,” and “collectivist.” He observed that the Franco-German method is “the search for social justice,” but its end state is communism. (Italics mine) His second

classification, “capitalism”, which is “a deliberate misnomer for what is really free enterprise,” is of Anglo- American origin and employs as its method “the rule of law.” He stated further that it “does not presume the existence of an end state.” (Italics mine) Vazsonyi describes with clear examples in his text how “our foundations are being eroded every day.” The gradual substitution of “group rights” for “individual rights” is a serious degradation of the US fundamental concept of importance of the individual citizen and his (her) exercise of liberty and common sense.

This is just one area of concern for our ability to live, work, and act together as a nation.

Vazsonyi’s suggested recipe to restore the originally free conditions begun in 1776, are: 1) that “we resume living by the rule of law,” 2) by observing the rights presumed and affirmed in the Constitution [as opposed to group privilege], 3) by respect for property and contract [as opposed to forcible redistribution], and 4) by reclaiming our common American identity [as opposed to emphasizing so-called ‘diversity’].

Vazsonyi sounds so wonderfully straightforward and simple, but for his recipe to come about, people’s paradigms have to be altered.

Admittedly, that is tough, but not impossible. The public schools must be reclaimed from the collectivist-imbued teachers and intellectuals and returned to those educators dedicated to the education of truthful concepts and unaltered history. This has to happen in order to restore youthful generations to being armed with information on all sides of issues and with Western civilization’s accumulated knowledge. Only then will these young people develop the ability to think and compare accurately and then debate.

Captained by now Senator Hillary Clinton, the Democrats are renewing their disdain for Capitalism as supported (not always insightfully) by some ‘conservative’ Republicans, yet those Democrats are rallying behind Hillary’s epithet: “The Vast Right- Wing Conspiracy.” This is ridiculous because conspiracy applies more correctly to the many anti-American, Democratic Party positions.

Perhaps the most glaring of those are 1) the vociferous attacks against the President’s position of self-defense of the security of the United States and 2) their opinionated desire to move the US sovereignty to be subservient to the United Nations.

Interest I was living in Berlin, Germany in 1951 and was accosted one day by a pamphlet-waving man who was loudly denouncing interest (German, der Zinsen) as the “calamity (die Plage) of our time.” He insisted it made slaves of people and was the major scourge to plague modern civilization. Because I did not fully understand what he was saying and my understanding of economics was still very small, I dismissed it as one of those anti-American activities of the Soviets so prevalent in Berlin at the time, but it was not forgotten.

A couple of years later, at the University of California at Berkeley one of my favorite classes was Economics 1-A in which the discussion on money interest especially caught my attention. By definition, “interest” is “the payment for the use of money.” 24 Or perhaps as stated simply by the philosopher, Jay S. Snelson, “...rent on the use of someone else’s money.” How could payment for the use of (or rent on) money be a scourge? Again I placed it into my memory bank but gave it no further thought.

Recently, while discussing with one of my students the magnificent concept of Capitalism and the wonderful standard of living our country has achieved by applying it, he blurted out that “interest” was one of the worst scourges of our time, because it “enslaves people.” Good Grief! Here it is again, that old argument of the “plague” of interest. The young man had just explained to me how his father had raised him to work hard for everything he had and to be responsible for his actions; and, he re-iterated, he believed in Capitalism. Whoa! How did this interest argument in his mind come about? Where did it come from?

Now I really want to know; where did this concept originate? I think anti-Capitalism is rearing its ugly head again from a different direction. Could it be a function of the propaganda machine of Socialism?

“Look how people are enslaved by interest,” he continued. He just would not accept the concept of the individual foolishness of purchasing things which one could not afford. Of course, people can overburden themselves with buying more than they can afford, because it is so easy, particularly if they use credit cards.

Over-buying because a person wants something and thinks that he or she can afford it if they scrimp on everything else could be a scourge in a way. A self-imposed hardship and subjugation may figuratively apply shackles, but that is not forced slavery. Such an individual is acting without coercion. It may be dumb or foolish, but enslavement by another it is not. It implies the need for education, which, by the way, is available everywhere. To hold a gun to someone’s head to perform unwanted work is literally and physically to enslave that individual. In the words of Larry Elder, “The basis of slavery is the forceful use of one person to serve the purposes of another.” My student approached again, only from a different direction.

“What about the company charging 25 percent interest on a property or an ‘important’ product?” In the free market there is no coercive force, which compels anyone to accept such a deal. If the impulse to own that property or product is so strong that he or she must have it, then the irresistible (but illogical and extravagant) contract may take place, but again the pain of the situation or the ‘unfairness’ of such a high interest rate still is self-inflicted and would thus be accepted without external force.

Another form of enslavement is that condition imposed by someone upon another person by means of fraud. Fraud is intentional misleading by lying and promising the unattainable. It is enslavement because that person knowing the factual situation would not accept it. Certainly the Egyptians forced to build the pyramids knew that they were slaves, but the misled Palestinian youths who unwittingly carry bombs strapped to their bodies into Israel to murder innocent civilians (including themselves) are influenced by fraud. They are victims of fraud and deception, the more insidious forms of enslavement, as opposed to the obvious bondage of forced labor.

I can concede that some forms of advertising are enticing and may influence people to purchase what they may want rather than what they can afford. But I have never heard of free-market advertising being accompanied by coercive force to make anyone purchase a product or service against his or her will. The allure of certain advertising can be beguiling, but children can be armed against such temptation by education. In fact, adults gain experience by learning from their own foolish mistakes and not making them twice.

Remember the old adage attributed to the Chinese, “Fool me once, shame on you; fool me twice, shame on me.” To ensnare oneself by overbuying into a situation that seemingly has no foreseeable escape or that creates mental suffering is not true enslavement as I am defining it, because it is self-inflicted. It may certainly be confining and terribly restricting, but it is not enslavement from without. Using the word “enslavement” to mean tied-down, limited, and constrained is not the same as externally imposed slavery.

In trying to find the origin of the disdain for interest, I learned in church that approximately two thousand years ago Jesus is reported to have thrown the moneychangers out of the Temple.

The explanation to me as a youth in church classes was that such commercial activity was “inappropriate for a Temple of God.” Moneychangers were changing ordinary coins to temple money at a premium, and paying the temple authority for protection from competition. Others besides Jesus condemned this corruption.

Interest, called usury, was indeed denounced in the Torah.

The Random House Webster’s Dictionary defines usury as the charging of exorbitant interest above the legal rate for lending money. But also listed there is the obsolete definition as simply “the interest paid for the use of money.” I am aware that Karl Marx²⁵ mentioned “usury” in *Das Kapital* while denouncing Capitalism, and there were laws against usury in the USSR. The disdain for “exorbitant interest” was probably significant in the USSR, which would be consistent with their communist (socialist) economic structure.

My student went on to point out that by Islamic law, on money lent, interest may not be charged in Muslim countries, such as Iran, Saudi Arabia, and Kuwait. Coincidentally, on August 22, 2002 after a lecture he gave, a former citizen of Israel, Dr. Fadi Essmaeel, told me that interest on money lending is against the law there too. However, he explained that the Israeli Banks circumvent earning interest on the lending of money or borrowing funds by calling the higher repayment a “late payment.” He added that the US banking system is “competitive so people cannot be exploited, as they are in Iran.” In states where there is a maximum interest rate, those with poor credit might be considered “oppressed.” There is a group in England called the Third Positionists who reject both Capitalism and Communism. The Third Positionists have an article on the “Heretical Press” website.²⁶ It is their claim that in those very old days the accepted token of exchange was precious metal minted into coins by the Church and the Crown (of England); the main restriction on economic life was the limited amount of gold and silver available.

The Third Positionists’ story continues that throughout medieval Christendom there existed a great restriction against usury, or the charging of interest. This was a prohibition, since the Church held it to be a grave sin, and that code was upheld by the civil powers. The Church held that money was a measure, not a “good” (as in the sense of merchandise); that is, it measured a reality but was not one itself. The Church held that usury (interest) was making money from lending money or making money from “nothing” (non-reality). It was a fraud to pretend otherwise, so it constituted a “theft.” The Third Positionists believe that this “theft” is happening today on a “colossal” scale. I

wonder if it was a member of the Third Positionists who waved that pamphlet at me in Berlin.

The Third Positionists' rendition of the history of banking is interesting in that they hold that goldsmiths began charging a fee for storing precious stones and metal but then used the deposits for making loans to other people and also charging interest. The depositors reportedly then could use the receipts issued from the goldsmiths and began to trade those notes in business transactions.

Thus, they claim, paper money began.

Banking started, the Third Positionists further contend, by the moneylenders issuing notes up to as many as ten times the value of the deposited gold and valuable stones. They could do this "fractional reserve banking" because the depositors would not all ask for their deposits back at the same time. This was a new form of usury, supposedly developed "dishonestly" from using other people's money for financial advantage at no cost to themselves.

They could create money from so-called "nothing" (non-reality).

However, charging a fee for the use of money is no different from charging for renting a car or any other form of "reality" owned by someone other than the renter. It is a proper transaction so long as there is no coercion or deception.

This history is probably close to what really happened, but it is told with a noticeable present-day, negative prejudice, which makes it questionable. Yet I could not find another source.

Maybe this story is the origin of the negative regard for interest.

Possibly the mystical fervor, purveyed by these religionists, is a fanatical form of an idea that began with the early Christians. I wondered if this was the source of my student's information and how he was exposed to it, but he does not remember the source.

I think I am closer to knowing the origin of the concept than I was before, but I cannot report it with certainty.

1 Thomas Sowell, *Basic Economics: A Citizen's Guide to the Economy*, New York: Basic Books, 2000.

2 Ludwig von Mises, *Planned Chaos*, Irvington-On-Hampton, New York: The Foundation For Economic Education, Inc., 1947, p. 81.

3 John Chamberlain, *The Roots Of Capitalism*, Princeton, New Jersey: D. Van Nostrand Company, Inc., 1965, p. viii.

4 Ludwig von Mises, *Socialism*, Northampton, England: John Dickens And Co. LTD., 1969, p. 449.

5 St. Matthew 20: 15 . . ., *The Holy Bible*, Cambridge, Great Britain: University Press, 1948.

6 John Chamberlain, *The Roots Of Capitalism*, Princeton, New Jersey: D. Van Nostrand Company, Inc., p. 25.

7 John Chamberlain, *ibid.*, pp. 34-35.

8 Adam Smith, *An Inquiry Into The Nature And Causes Of THE WEALTH OF NATIONS*, reprinted by Arlington House, New Rochelle, New York: Library of Congress Catalog Card Number 65-28191.

9 Andrew J. Galambos, *Thrust For Freedom – No. 4*; quoted in his book, *Sic Itur Ad Astra*, San Diego, California: The Universal Scientific Publications Company, Inc., 1999, p. 870.

10 Andrew J. Galambos, *Thrust For Freedom – No. 2*, *ibid.*, p. 866.

11 Andrew J. Galambos, *Thrust For Freedom – No. 4*, *ibid.*, p. 870.

12 Mary Anastasia O’Grady, “Liberty = Prosperity,” *Wall Street Journal*, Opinion (Editorial), New York: November 12, 2002.

13 Burton W. Folsom, Jr., *The Myth of The Robber Barons*, Herndon, Virginia: Young America’s Foundation, pp. 118-120 and 121-134.

14 *Dallas Morning News*, Editorial, *The Party’s Over*, reprinted in *The Press- Telegram*, Long Beach, California: July 28, 2002.

15 Ann Coulter, *Slander*, New York: Crown Publishers, 2002, pp. 132-133.

16 Ludwig von Mises, *Socialism*, Northampton, England: John Dickens and Co., Ltd., 1969, p. 77.

17 Peter Brimelow, *The Worm In The Apple: How the Teachers Unions Are Destroying American Education*, New York: HarperCollins Publishers, Inc., 2003, p. 8.

18 Friedrich A. Hayek, *The Road To Serfdom*, Chicago: The University of Chicago Press, 1944 (renewed 1972), pp. 72-87.

19 Walter E. Williams, *Threats to rule of law in America*, www.townhall.com Walter Williams, June 5, 2002.

20 Lawrence W. Stratton, *Champions of Freedom*, The Ludwig von Mises Lecture Series—Volume 30, “Privilege Before The Law is Trumping Equality Before The Law,” Hillsdale College Press; Hillsdale, Michigan: 49242, p. 46.

21 Lawrence W. Stratton: *Champions of Freedom*, *ibid.*, p. 46.

22 Alexander Fraser Tytler, *The Decline and Fall of the Athenian Republic*, found on www.amazon.com 23 Balint Vazsonyi, *America’s 30 Years War*, Washington DC: Regnery Publishing, Inc., 1998, pp. 254-258.

24 Lowell Harris, PhD, *The American Economy*, Homewood, Illinois: Richard D. Irwin, Inc., 1953, p. 654.

25 Karl Marx, *Das Kapital*, New York: Vintage Books (Division of Random House), Vol. One, 1977, p. 740, (footnote #22).

26 Heretical Press website, Dinare, “A Short History Of Banking.” Chapter 3 – The Basis and Philosophy of Socialism The starting-point of socialist doctrine is the criticism of the bourgeois order of society.

-- Ludwig von Mises¹ Socialism is the philosophical, esoteric, and unsuccessful societal system based upon central control of the means of production and abrogation of private property, propagated by deceit and deception.

It subjugates the individual to the interests of the state.

The socialist way and type of thinking run counter to individual thought, action, incentive, and self-reliance.

The most exhaustive, accurate and well-described observations about Socialism I could find are in the writings of Ludwig von Mises. He reported the similarity of Socialism and Communism.² He wrote, "In the terminology of Marx and Engels the words communism and socialism are synonymous." Socialists outwardly detest the association of their philosophy with communism. But an enlightening footnote in Ludwig von Mises's Socialism states:³ The term 'Communism' (Marxism) signifies just the same as 'Socialism.' The use of these two titles has repeatedly changed during the last few decades (1930s to 1960s) but only political tactics separated socialists from communists. They both aim to socialize the means of production. (Italics mine) And A. J. Galambos wrote: Neither communism nor socialism is revolutionary; they are both reactionary. They both go back into the darkest of ages of controlling property. They're not evolutionary either, because left to their own devices people will not evolve into either system. This has to be done by external cooperation of an artificial and manufactured sort.⁴ Restated in the words of Robert L. Bartley, who recently described the work of Friedrich von Hayek in the "Opinion" section of The Wall Street Journal, "Fascism and communism are the more virulent cousins of socialism."⁵ The believers in socialist philosophy in this country subvert moral standards, education, and the Constitution of the United States, all because they disagree with the concept, strength, and success of Capitalism. The communists add guns to achieve their power and call their form of Socialism, Communism. Von Mises is accurate; their common goal then is to control production (business) and the means to achieve it by political regulation and to exercise control over all the people in society by making them economically 'equal.' They both aim to achieve control over men's (and women's) lives, property, and liberty. To accomplish this, they both work to abolish the ownership of private property, gradually by the socialists, rapidly by 'revolution' with the communists. State ownership is the full, deadweight burden carried by a labor force that is harnessed to the demands of central planning. As we know, the former Soviet system concentrated huge wealth and power in the hands of a few. It still works that way in Russia. A few oligarchs in collaboration with old KGB constituents run the country.

A word here on the word revolution is pertinent. The word came into common usage to mean the forceful overthrow of government when the Bolsheviks seized power in Russia, and is now used when talking about such political takeovers elsewhere in the world. But the literal definition of revolution is to revolve or turn around. A.J. Galambos⁷ called attention to the American Revolution as a "turning around" of thinking, that the idea of independence from the King of England was necessary. The resulting conflict was a "war of independence" not a "revolution." Galambos maintained that all the other overthrows or so-called 'revolutions' were nothing but political regime changes, which did not constitute a turning around or change of thinking or goals.

I wish to quote here a devoted American's observation: Our Declaration of Independence has been copied by emerging nations around the globe, its themes adopted in places many of us have never heard of. Here in this land, for the first time, it was decided that man is born with certain Godgiven rights. We the people declared that the people for their own convenience create government. Government has no power except those voluntarily granted it by the people.

There have been revolutions before and since ours, revolutions that simply exchanged one set of rulers for another.

Ours was a philosophical revolution that changed the very concept of government.

--Ronald Reagan, Address at Yorktown, October 19, 1981 Denigrating criticism of all aspects of the capitalistic system is the main oratory of the proponents of Socialism. Though it is easy to see that criticism is a major tool of Socialism, the worldwide effectiveness and acceptance of this philosophy is an astounding phenomenon. Nevertheless, a clear exposition of the true nature of a socialist society most probably would have dampened the enthusiasm of the masses that have accepted the 'religion' of Socialism.

The more I read, the more I am convinced that criticism is to the socialist ('liberal') as faith is to the religious person. Have the Democrats made a concerted study of this effective tool of Socialism, or is their use of it merely mechanistic? This stratagem is right out of the 'textbook' of the socialist and Marxist methods.

Remember the tactics of Marx and Engels to their opponents; they "insulted, ridiculed, derided, slandered, and traduced them." In debate or discussion, to assail the opposing person dilutes the verbal controversy, and that leaves the accusing one open to criticize accurate information and sources and to hide behind affronting allegations. In my public speaking class in college, our instructor taught us that a disingenuous person can have a debate advantage over an honest one, because insincerity plays by a different set of rules (expediency and half truths) and is almost always unwilling to accept accurate definitions.

Further, the insincere discussant, by continually questioning the validity of his opponent's facts, can press that opposing debater to be defensive. While that one is on defense, those of questionable agendas can be on the offensive, and then their oftenspurious reasons of argument can be advanced with arrogant confidence. Sound familiar?

In that college speech class we had to learn that we must always be perceptively alert and confident of our facts and sources and then be courageous and resourceful in holding our position. A respected psychiatrist once told me that the human mind has an infinite capacity for justifying. Opinionated persons claim any justification they can think of to advance their point of view.

The first cousin to criticism is opposition. And what do we hear daily from the 'liberals' at the conservatives? Negative CRITICISM! This has to be more than mere coincidence. I am referring to their opposition to anything that advances Capitalism. Criticize, oppose; oppose, criticize, then block and divert. It may not be so obvious immediately, but the path to the success of 'liberals' is to control the attainments of unencumbered Capitalism

and hinder the conservatives who attempt to preserve them. This translates also to opposition to the institutions of the United States.

The 'liberals' must also oppose judges who would uphold the Constitution, because if they do not, their potential hold and control of institutions and peoples' lives (and freedoms) are weakened or jeopardized. Their preoccupation with negating the established system, which is based upon the personal efforts of each individual to achieve success, helps them avoid facing their own philosophical weakness. But, it promotes their push for power in order to control and change society to their concept of societal order.

Opposition has taken a new form recently. The actions accused of the Bush Administration by the 'liberals' (socialists), in reality comprise the very program of the Democratic Party in this surprisingly negative, early campaign for the November 2004 elections.

This is a new twist to the tactic of attacking the person to ridicule and "traduce the opponent;" just simply accuse the opponent's program of preposterous action, which in fact is your own program. This sounds strikingly like the example expressed to me in 1951 in Berlin regarding the tactic of the communists: "They steal the silverware off the banquet table before anyone notices that the ware is gone, and then they loudly accuse someone else of taking it." In a recent speech, former Vice-President Al Gore⁸ accused the Bush administration of "exploiting Americans' fear of terrorism for political gain." He ranted further, "the Bush administration has been preoccupied with an 'assault on civil liberties' since the Sept. 11 attacks and has not done enough to make the nation safer." He proceeded to say, "They (the administration) have taken us much further down the road toward an intrusive 'big brother' style of government than anyone ever thought would be possible in the United States." He is accusing the administration of 'stealing the silverware.' Strains credulity! Shelby Steele⁹ wrote "There was a summary indictment of America that emerged in the 1960s by a convergence of many social protest movements – civil rights, anti-war, feminism, environmentalism, farm workers' protests, etc." The compound effect of all this protest was to cast America as a "spiritually empty, greedy, racist, and imperialistic nation; i.e., a malevolent force in the world." This produced an especially powerful source of so-called 'moral authority' for those in opposition to the basic culture of America.

Steele observed further "This Anti-Americanism is a reflexive and smug faithlessness in the moral character of America. It has found its political home on the Left, and nowhere more securely than in the precincts of academe." (*Italics mine*) Out of this mind-set developed the concept of racial preferences (affirmative action) and other anti-individualist schemes.

Groupthink is the practice of approaching problems or issues as situations, which are best dealt with by consensus of a group rather than by individuals acting independently. The criticism of America and her system of free enterprise resembles groupthink, but groupthink results in faulty decision-making because its characteristics of consensus are ignored as a threat to the group that is in charge. For instance, groupthink was in full play when the NY Stock Exchange board of directors made bonus and retirement decisions for Mr. Grasso and his lieutenants.

In the final analysis, groupthink is nothing more than collective arrogance, and it is a huge problem in most political venues that are populated by self-important and smug politicians who think that they cannot be held personally responsible for their collective decisions. Gray Davis is a notable example of such overconfident thinking and miscalculated belief.

When Robert Owen's experiment with socialism failed* in 1827 he finally concluded that since Socialism could not occur on its own, it would be necessary to change society by political (coercive) means to achieve it. François Babeuf, an early French reactionary, as well as Fourier, Engels and Marx also understood that Socialism could only be achieved through the power of the state.

From the perspective of freedom and Capitalism, the socialists' admission that their system requires coercion to be achieved should certainly frighten those who think that they can make small concessions with Socialism and that business entities must be overseen and controlled by government without dire consequences.

It should also frighten those wishing to appear "openminded" and tolerant toward the concepts of 'liberalism' (Socialism).

If the truth about collectivism were presented in a straightforward and honest manner Socialism would have little to no appeal.

All who believe in the Left's philosophy must oppose any program that favors individual progress and a good understanding of * See Chapter 4, Results of Applied Socialism, Example 2.

the cause and effects of true history as well as the benefits of private business. Opposition to tax cuts, opposition to ownership of guns, opposition to school vouchers (more local, district, and parental control), and the opposition to "pro-life" ("anti-choice"?) are components of the 'program' of the Democrats who also make a loud case for being "pro-choice." * The 'liberals' must oppose the Boy Scouts of America, because that organization teaches loyalty to God and country and develops leadership based on an immutable morality, and the organization does not want homosexuals teaching and leading young boys. It is a private organization, and the Supreme Court has ruled it is constitutional to run a private organization by its own rules.

The headway of 'liberals' is based on their one-sided teaching of malleable young minds that the tenets of the strong economic system of Capitalism are "unjust" and that "the worker" must be liberated. This is part and parcel to their deceitful approach to education. A self-avowed 'liberal' young man called in to Sean Hannity's radio show on November 7, 2002. Sean asked him what he believed in, and he answered, "I believe in liberating the worker." What? "Enslaved workers" in this country? I am not aware that the American worker is enslaved. That would mean that the American worker could not quit his job in order to better himself. But that Marxist theme seems to be alive and well in this great land.

According to Marx, the working people in a capitalist society "necessarily think socialistically." The problem one might seem to have in trying to understand Socialism is simply to discover why the worker's position in production should incline him to the

view that the socialist method is not only possible but that he would believe it to be superior to the system of Capitalism.

* Some conservative writers believe it should read “pro-death.” The “prochoice” faction insists that each individual woman decides only for her own dependants.

The answer lies in the flood of socialist propaganda. The workers may believe it because they are enticed into it by deception, and that is history. To paraphrase Ann Coulter¹⁰, something “repeated with mind-numbing frequency in all major news outlets” will be believed by some members of the population.

The continual emphasis of Marx’s writing on ‘the working man’ (the proletariat) makes one wonder why he would express such concern for the worker. Could it be that there are many more workers than there are entrepreneurs, managers, and overseers?

That is similar to the political maneuvering of renters wanting rent control versus the fewer building owners who rent out their property. Could it be that if Marx could convince the mass of ignorant workers, he would have an avenue to the deceitful changing of society to his hypothetical point of view?

The manual laborer judging only by his limited personal experience cannot arrive at a true knowledge of the nature and functioning of business and economic life. Von Mises describes the worker in the large or medium-sized enterprise as not seeing the over-all structure of the business but holding that he alone is a productive member of his society (or he and all his fellow union members). So those above him who do not stand over machines or carry loads are just “freeloaders” to him. It is little wonder that the unions’ line of strength finds such wide worker acceptance; that is, unions promote opposition to management best. It is little wonder then that the idea of Socialism’s ideology—redistribution of the society’s wealth—is appealing when it is presented to the economically ignorant worker. As is so well stated by von Mises, “The masses incline towards Socialism, not because it really tends to their interests but because they believe it does so.” ¹¹(Italics mine)* Perceptions are always more strongly correlated with behavior than are the objective features of an event, an object, or a person.

* This short description about the thinking of ‘the worker’ is based on the discussion “The psychological presuppositions of Socialism,” a subtitle of L.

von Mises’s text of Socialism, p. 357, Chapter V, “The Materialist Conception Of History.” The success of marketing pivots on this point. The same holds true for the effective business manager and executive who has to rally the employees to a new strategic initiative or a new form of competitive advantage that he believes will turn around an ailing firm.

Marx thought of people in categories. The socialists (and indeed all politicians) also think of people in categories not as individuals.

Thomas Sowell¹² states: “Talking about people in the abstract as members of ‘the same category’ is also a classic argument of academic thinking.” This observation coincides with another of his statements: “Only by focusing on abstract categories that live on can redressing wrongs of history be made to seem plausible.” Sowell states further: “The Fourteenth Amendment mandates equal treatment for flesh-and-blood individuals, not for abstract categories.” (Italics mine) For reference, here is the text of Section 1 of the

Fourteenth Amendment: All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the state wherein they reside. No state shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any state deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.

One outcome of Marx's materialist conception of history was that he maintained it was a simple and direct development of the economic environment. Also based on materialism, Marx wrote his opinion that 'thought' depends on social being. He wrote in addition that "class interest" determines thought. It seems never to have occurred to Marx that thought based on "social being" does not determine the forces of production, nor are those production forces dependent on class interest. Production forces are dependent on the market and the individual preferences of consumers.

Individual thought relates to individual well-being.

Marx claimed that the people's way of thought derived from their social condition. The proletarian rule became the political force in Marxism; that is, the "disadvantaged" vs. the "privileged." Marxists proclaimed, "The ideas of proletarian logic are not party ideas, but the consequences of logic pure and simple." Therefore, they reasoned that merely by stating that the proletarian 'science' is true makes it true by "logic pure and simple." Marxism could thereby protect itself against all unwelcome criticism. In other words, who could argue with this 'scientific fact?' Science has a good image, so why not just use the word science? Of course, like liberal.

But in truth, there is NO scientific backing to Marx's stated position of "logic pure and simple." To begin with, the first step of the Scientific Method, as developed by Isaac Newton, is based upon observation (discovery) of a phenomenon. Marx could not 'observe' a successful model to his projections because there was none, and there has been none. Therefore, he had to rely on the only mechanism left for him; namely, conjecture. That has to be the most likely explanation of why Marxism's (and Socialism's) whole debate is always against the person speaking in favor of capitalistic principles, never against the opponent's program or thesis. In the light of facts, it is hard for the Marxists and the socialists to defend the tenuous 'accomplishments' of unsuccessful conjecture.

There is no place for free thought within Marxism. To quote von Mises¹², "Since the appearance of Marx, all truth is with the Marxist, and everything else is lies, deception, and capitalist apologetics." Marxists and socialists do not offer concrete programs of their own (except central, big-government control), just opposition to Capitalism and opposition to the strength of programs that favor individual development, and they defame Capitalism's advocates.

They do aim for big government and ultimately total central control of society, but that is a goal, not a discussible program. True debate with them on particular issues is not possible because all they do is criticize positive proposals and fling denigrating labels at anyone in disagreement with their positions.

David Horowitz¹⁴ points out that the normal bias on campus guest-speaker occasions is for politically Left-leaning professors to give students academic credits for attending leftist speeches. A good example of this was the recent comment of a leftist biology professor named Miriam Golomb at the University of Missouri in Columbia in reaction to a scheduled speech of David Horowitz.

She impugned him by calling him “A Real Live Bigot” and a “racist.” One of her students quoted her as saying; “...I will give twice as many credits if you go to protest.” In her zealotry she was actually behaving like a good capitalist. Her actions followed a function of a free-market type of conduct; i.e., she created protest behavior that was merit-based by awarding more free credits to the dissenters who would attend “to protest.” I do not point that out as an agreement with her action.

In the same article, Horowitz reports that on university campuses, the politicization of the undergraduate classroom since the 1960s and the systematic political harassment of conservative students by their radical professors has had the chief negative effect of discouraging conservative students from pursuing academic careers.

Assertive, one-sided political partisanship by professors in the classroom is an abuse of students’ Academic Freedom. On top of a lack of “intellectual diversity,” there is an under-representation of true historical viewpoints in the curriculum and in the reading lists available to students.

Also, most universities are free to raise enrollment fees with no apparent improvement in quality or accountability, but they hold their hands out for more subsidies from the federal government or their friendly legislators. Remember, when you subsidize something, you get more of it.

After all these years since the 1960s, we are beginning to hear of backlashes to the harangue of the Leftists at graduation exercises.

On Saturday, May 17, 2003, New York Times reporter Chris Hedges was booed off the stage at Rockford College in Illinois.

Shortly after the beginning of his malicious antiwar speech, angry students disconnected his microphone. Lt. Col. Oliver North¹⁵ wrote: At Rockford College in Illinois, New York Times reporter, Chris Hedges, delivered an antiwar address filled with invectives against American foreign policy in the Middle East.

“War in the end is always about betrayal,” Hedges opined.

“Betrayal of the young and old, of soldiers by politicians, and idealists by cynics.” An enraged audience of graduating seniors and their families finally forced Hedges from the stage, bringing his diatribe to an abrupt end.

In January 2002 Sean Hannity¹⁶ read a newspaper article written by Ellen Sorokin, a reporter for The Washington Times, who wrote how the ‘liberals’ in the New Jersey Department of Education had just written a new set of history standards. But, they left out any mention of George Washington, Thomas Jefferson, Benjamin Franklin, the Pilgrims, and the Mayflower. She also listed the names of Abraham Lincoln, Franklin D. Roosevelt, John F. Kennedy, Lyndon B. Johnson, and Martin Luther King, Jr., which were originally left out but added again by the N. J. State Commissioner of Education

one week later after Hannity made a large issue of it on his radio show. Unbelievable! Individualism is anathema to socialists. The strength of an individual derives from individual straight thinking, and individual thinking is best developed from the rational approach to logic.

Learning accurate and true history then enhances and balances rational thinking. “American history is a story of hope, of progress, of a great adventure in pursuit of more freedom and opportunity for every man, woman, and child,” Sean Hannity¹⁹ wrote.

Opposition to, and criticism of, Capitalism form the program of the socialists’ thrust to change a government that is based upon individuality, liberty, and the free-market economy. The Democratic Party and the ‘liberals’ have adopted the tactic of criticism, and they are good at it. Opposition to programs that promote positive mental growth and maturity occur by reflex with the ‘liberal’ mind-set. They work continuously to undermine free society by weakening the individualism of its citizens. It has taken three decades to penetrate and negatively influence the whole US public secondary school and university levels of education.

Negative criticism is the ‘liberal’ political modus operandi. ‘Liberals’ do not hear facts or contentions other than their own. They just force opponents to dilute their arguments by defending against personal accusations. That somehow should make the ‘liberal’ argument appear stronger and more dominant.

‘Liberals’ and Left-believing groups have criticized, and now many of them demonstrate against, the present war on terrorism and the recent war on Iraq. It would be better for these groups to channel their forces of criticism and opposition toward the conspirators causing the terror. It would also be better for them to devote their efforts in a positive manner for something creative for their society. The same is true for the terrorists, to channel their energies to create something beneficial to improve their own lot instead of trying to destroy other countries and people. That, of course, is too much to hope for because their hatred is aimed against any system that provides individual self-determination and religious freedom.

No one publicly used the word “treason” for the actions of the ‘liberal’ Representatives Jim McDermott (D-Washington) and David Bonior (D-Michigan) who gave “aid and comfort to the enemy” in Iraq in the Fall of 2002. I believe it was outright seditious for them to stand in Iraq and criticize the actions of the President of the United States and to go so far as to call their President a liar “on enemy soil.” For those legislators to take the word of the perfidious and treacherous dictator above the word of the American President is at very least disloyal, and it provided encouragement to an enemy. And who would classify Saddam Hussein as anything but an enemy? In my opinion, the two legislators’ cowardly performance should have been rebuked as a seditious (if not treasonous) act, not as just dissenting lay people with opposing views do here in this country. Stalin referred to individuals like Bonior/McDermott/Fonda/Penn as “useful idiots.” They think that their celebrity status infuses them with the right to speak out and the expectation to be taken seriously. The former is true, and the latter is false.

Befittingly, there was a move promoted by Senator Lindsay Graham to treat at least as treason the actions of the US citizens who traveled to Iraq to be “human shields.”* Those certainly were actions, not free-speech dissents. Remember, one of the definitions of

treason in Webster's Dictionary is "giving aid or comfort to the enemy of the United States."²⁰ Unfortunately, holding people responsible for their seditious actions has been diluted and depreciated in the last decades.

By his public critical outbursts against President George W. Bush and his staff, the thoroughly inappropriate remarks of former President Jimmy Carter also have had to give comfort to the enemy.

I admit Carter uttered most of his opposition to the foreign policy regarding war to disarm the pathological madman-Iraqi dictator, Saddam Hussein, right here in the US. True, Carter did not advocate the overthrow of our government. Nonetheless, his position of past President makes such public statements unprecedented and certainly very inappropriate.

The conservative radio talk-show hosts today, in my opinion, have become more sophisticated but have an even greater task than in 1964 in reversing the anti-capitalistic and even the anti-American thinking and position of the socialist philosophy. There are three decades of successful infiltration of our school systems by the disgruntled 'flower children,' their indoctrinated students, and their sympathizers. They, who believed in opposition to civil authority and thus became imbued with supporting the unsavory falsehoods of collectivism in their youth, now in colleges, have succeeded in the fateful and one-sided indoctrination of a large percentage of our younger citizenry. Those young, supple minds are susceptible to one-sided, collective political arguments accompanied by the emotional certitude of 'authority' (professors).

A clearer and more descriptive example of the willing acceptance of the sugary but vague collective promises of a 'better tomorrow' * I am unaware of the outcome of the Senator's endeavors.

row' could hardly be cited than the figurative examples painted verbally by George Orwell of the portrayal of Socialism by an animal community in his political satire, *Animal Farm*.²¹ Up to this point I have been describing the two systems in opposition to each other in this country. The gradual undermining of rugged individualism, character, and independence has been in part successful by the slow but consistent elimination of the educational background of the reasons for founding this great country, and the conscious erosion of stability by their 1) 'moral relativism,' 2) the push for affirmative action for minorities, and 3) the rights of groups over the rights of individuals.

One might say that to study the history of the subtle and gradual pressure to introduce and spread the philosophy of Socialism "isn't important" because people today are interested in what is going on in the present and are not interested in the past history or the effects of collectivist ideas. On the contrary, I am presenting this commentary to show that it is very important to delve into the past history of the concepts and the several examples of the failure of Socialism, because the consequences of this insidious system do influence substantially the workings of our society today.

That school of thought appears to dominate the actions of the Democratic Party, which uses it so often to guide their proposals and criticisms today. They attempt the tactics of emotional influence by railing criticisms, just like the earlier socialists. That is also the basis of the one-sided push by the 'anointed' educators' in our institutions of higher

learning to ensure a large number of emotionally indoctrinated students. Sadly thereby, most of those students remain unaccustomed to comparing and thinking.

'Liberals' and Democrats do not admit to the word Socialism, but their stratagems are so much the same that the connection cannot be denied. One can observe that "the majority rules" was well understood by the socialists to try to move (by deception) large numbers of people emotionally to correct the 'injustices' of the capitalist system by opposing legislation favorable to less government control.

With elimination of the study of the intellectual antecedents in Western civilization that led to the founding of the United States and its freedom and liberty, one thereby holds the key to the spread of this whole push to support Socialism. That position then subtly introduces and spreads the concept of redistribution of wealth with the reduction of private control of property. It also supports central control of the means of production by big government. Regrettably, all too many so-called 'conservative' Republicans also act to further big government and large welfare expenditures.

In America, social welfare programs represent a tax on the productive, private sector. The private sector bears this load as a "cost of doing business." It is like buying insurance to reduce risk. If the private sector doesn't pay a "fair premium" then legislation and court decisions will become so onerous that all of the profits from various industries will be swept away. Therefore, what we have is a form of managed "standoff" or a "dynamic impasse." If the economy grows, the pie is bigger and nobody complains too much. It is when recession hits that the complaints become strident.

Another one of the favorite 'liberal' criticisms against the United State's system of self-determination for example is: "See, if this nation were so correct, then why did slavery last so long?" The answer is simply that the capability to improve problems of freedom of people and to strengthen the concepts of growth and progress are present under the Constitution and free economy.

To change the hearts of people who are used to previous traditions and mind-sets takes time, experience, and the rule of law. In the case of the slaves, full emancipation did not occur until the civil war. The assimilation of the black minority to American society today is far advanced except for the protestations of the self-appointed black 'leaders' such as Jesse Jackson, Louis Farrakhan, and Al Sharpton. Nonetheless, the meaning of the Bill of Rights and the mechanism for corrections in the Constitution are established, and I do not know of a more superior system anywhere in the world where the black race and all races find more opportunity and freedom than right here in the US.

The Philosopher Hegel's Influence On Socialism One of the most influential thinkers of the 19th century was the German idealist philosopher, Georg Wilhelm Friedrich Hegel (1770-1831). He published many books, and following his death several sets of his lectures were published. I include this brief summary of this important philosopher's work because of his influence on the development of Socialism and its pernicious cousin, Marxism.

Hegel conceived the subject matter of philosophy to be reality as a whole, or the total developmental process of everything that is.

He referred to that “everything” as the Absolute Spirit, and to him the task of philosophy was to chart its development and make clear its internal rational structure. This included demonstrating how the Absolute Spirit manifests itself in nature and human history as well as its ultimate purpose.

He reasoned that the logic that governs pure thought is the “dialectical method,” which involves the notion that progress is the result of the “conflict of opposites.” Thus, thesis and antithesis are reconciled into a synthesis or higher level of truth derived from elements in both the thesis and the antithesis. This synthesis becomes a new thesis that generates another antithesis, giving rise to yet a new synthesis, and in such triad fashion the process of intellectual or historical development is continually generated. So, for Hegel, reality was understood as the Absolute Spirit unfolding dialectically in a process of self-development.

With respect to history, his two key explanatory categories were reason and freedom. According to Hegel, history, as a rational process, is a progression from less freedom to greater freedom.

This rationality leads to the application of that progression to ethics and politics. To Hegel, at the level of morality, right and wrong were a matter of individual conscience.

Hegel considered membership of the state to be one of the individual’s highest duties, but not the product of individual judgment. The state to him was the manifestation of the people’s general purpose, which is the highest expression of the ethical spirit. Obedience to this general will is the act of a free and rational individual. However, he argued that the reduction of freedom by any established state is morally unacceptable.

Now it is important to recognize the division of Hegel’s followers into “right-wing” and “left-wing” Hegelians. The right wing emphasized the compatibility between Hegel’s philosophy and Christianity, and they remained politically conservative. The leftwing Hegelians moved to an atheistic position, and politically became revolutionaries. This latter group included Friedrich Engels and Karl Marx, who later became important in history. Today we know this group as ‘Left’ or Marxist. Marx and Engels were particularly influenced by Hegel’s ideas that history moves dialectically, but they replaced Hegel’s philosophical ‘idealism’ with ‘materialism.’ As an example of Marx’s interpretation of Hegel, a thesis might be a set of economic arrangements such as Capitalism. Its opposite or antithesis was, say Socialism (as opposed to Capitalism).

The clash between thesis and antitheses evolved the higher stage of synthesis or –as Marx concluded–communism, which unites capitalist technology with social public ownership of factories and farms. * Social Democracy I arrive now at the topic of the Social Democrats and their claimed success in Europe. For decades prior to the Bolshevik Revolution the notion that democracy and Socialism are inwardly related was widespread and accepted. There were many who came to believe that the two meant the same thing and even that one could not exist without the other. In fact, this view was interpreted from the works of Hegel, and the party title Social Democracy reflected that coordination of thought.

* This abstract summary discussion of philosopher, Georg W. F. Hegel is based upon that subject and Economics in Microsoft® Encarta.

World history for Hegel was “progress in the consciousness of freedom.” He observed that to the Orientals one was free, to the Greeks and Romans some were free, but to the US all men are free. By intellectualizing the ideas that were common to the political doctrines of the age of enlightenment, Hegel was misinterpreted by some of the young radicals of the time, and they read into his words what appealed to them. The historian, Gervinus, took up the interpretation and saw, “by and large in the history of humanity, as in the internal evolution of the states, a regular progress . . . from the spiritual and civil freedom of the single individual to that of the Several and the Many.”²² It was a very easy step for the Marxist materialist conception of history to change “freedom of the single individual to that of the Several and the Many” to simply the civil importance of the “Many,” meaning the proletarians (the workers, the deprived). He wrote that they must necessarily become socialists because to them consciousness is determined by the social conditions. This argument became the “dictatorship of the proletariat.” The embodiment of true liberalism, in its original 19th century acceptance, is the system of independence, freedom of choice, non-interference, and laissez-faire. True liberalism demands democracy at once, because democracy requires liberty of conscience and liberty of expression of ideas, even for every opposition party. Democracy is the form of government of and by the people under a free electoral system. Without democracy the peaceful development of the state is impossible.

Many in those early years saw the evolution to democracy as a necessity. The early Socialism of the Germans, the Russians, and the smaller nations that lived under the Austro-Hungarian monarchy, was thought to be the relation of Marxist Socialism to the demand for democracy. The concept of democracy was so important that the demand for it by every opposition party first of all had to come before the development of political activity. But, this was counter to the mechanism of Socialism, even though early they had to maintain the dual name to attract supporters who were repulsed by the real demands of Socialism.

Although Socialism and democracy were supposed to meet at the same goal, no one was certain whether they were to take the same road. The question emerged, was Socialism to be attempted through the instrumentality of democracy, or whether in the struggle they should deviate from the principles of democracy?

Ludwig von Mises²³ states clearly, “One finds nothing in history or in the literal history of socialist theory, which shows an internal connection between the socialist order of society and political democracy.” But the Social Democrats did not benefit from von Mises’ hindsight.

It was an academic discussion only until the Bolshevist Revolution.

Von Mises²⁴ wrote, “Socialism is the expression of the principle of violence speaking from the worker’s soul, . . .” The Social Democrats would certainly have continued to mislead with the catchword democracy, but the Bolshevist Revolution exposed the intentions of “central control of society” even though the Social Democrats wanted to achieve it more slowly. They differed with the Bolsheviks on how to achieve control and fought them vehemently but lost.

When not in power the socialists (and the communists) claim all the equal rights provided in democracy, but when they come into power they deny those rights to the opposition. So the term “democracy of socialism” masks Socialism’s deceit.

Although the socialist intends that eternal peace shall reign, his goal of peace (the goal of all democratic institutions) must be achieved by very different means than by democracy.

But, non-violent means were not acceptable to the Marxists and the serious socialists. Marxists view achievement of peace only in the remote future and by thoroughly undemocratic institutions.

That is, Marxism will NOT rest on the power to change rulers and ruling policy peacefully. But it does rest on the fact that the regime is made permanent and that rulers and policy do not change.

Peace under Marxism is achieved by subjection and fear; i.e., to bring under dominion, influence, or rule by a central authority as the governing power. Every absolutist makes such peace by setting up an absolute domination, and it lasts just as long as his dominion can be maintained by force. Marxists were impatient, so they wanted to get in power as quickly as possible. They were just like the tyrant Fidel Castro.

All historic attempts to realize the socialist ideal of society have a most pronounced authoritarian character. The administration of goods in that system is the administration of men; that is, the collective direction of productive processes is government over persons.

But, how could even the most competent of men direct the myriads of transactions of large numbers of people in a society?

The answer is only by centrally conceived coercive rules requiring the same actions from everyone. To accomplish this in a free society, there must occur, and, as we are experiencing, a gradual introduction of regulations and laws that bring about redistribution of wealth and the production of citizen dependence on the government.

This produces gradual conformity.

Because of man’s inextinguishable yearning for change, liberalism (correctly used) sets itself to make a peace that is a proof against the above-reviewed, threatening perils of Socialism.* In collectivism, the elite, inner circle sets all standards for production and consumption by groupthink. Through the use of coercion the principles of free enterprise must be suspended. What the socialists fail to remember is that the decentralized, unfettered free market adjusts production and consumption.

Under central control, shortages and black markets occur. Black markets become the natural economic behaviors when freemarket principles are outlawed. I experienced that in Poland in the 1970s and ‘80s with the black market street transactions of money changing when the value of the zloté was extremely low.

The government’s official (but artificial) value was set higher.

Thus on the street black market, larger numbers of zlotés could be obtained for a dollar than legally in the banks.

* Ludwig von Mises in his *Socialism*, pp. 79-84.

The Social Democrats as a party had success in Europe early after World War I because after that horrifying war the people willingly accepted that party's directions of rebuilding the infrastructure of their European countries and subjugated themselves to the governmental support of the poor, similar to Roosevelt's "New Deal." They were willing to accept the period of peace and rebuilding, although they could not appreciate what the central control would mean to their freedom in the long-run.

How long would it last? It lasted in Austria until 1938 when the Germans forced the Anschluss (annexation), but the idea of heavy welfare state or wealth redistribution is continuing in Germany, France, and Scandinavia and to a lesser extent in Austria.

Sweden organizes the bulk of productive activity under private ownership but regulates this activity closely, intervenes to protect the jobs of workers, and redistributes substantial portions of profits and large individual incomes to low-income groups. They claim a disciplined low crime rate, but they are in deep debt from their socialized medicine, their welfare programs, and the considerable emigration of their younger generations. Where is their incentive to improve and pursue acquiring private property?

In the last decade (the 1990s), the two major powers of the European continent, the economies of Germany and France, have struggled under the socialist-influenced governments due to their large welfare programs, high taxes, and the resulting high unemployment.

To illustrate, consider this example. Suppose you want to expand your business, and it entails hiring one new manager. You have the option of hiring him in America, France, or Germany. If you hire him in America your full cost is \$88 K (thousand). He would cost you \$113 K in Germany or \$118 K in France! Where do you expand your business? You know that you want to maximize your competitive advantage (find the highest return for your capital at the lowest risk), so you hire that manager in America.

Now, if you link this example to the facts that France and Germany have pay-as-you-go support programs for retirees and stagnant or declining birthrates, then one can see there are real economic problems in both countries. French and German executives know these facts, so invariably they decide to expand their businesses overseas, but many of their companies at home continue to underperform, and their productivity gains are often minimal. They look across the ocean and provoke us because they are jealous, and they envy the flexibility and responsiveness of the US private sector.

The story of Socialism is a story of high hopes followed by bitter disappointments.

Social Democracy in England The story of Clement Attlee and the philosophical evolution of his beliefs is one of the best examples of how one can become enamored with the claims of Socialism. Attlee became the British Prime Minister after Churchill following World War II.

The seventh of eight children, Clement grew up in a comfortable middle-class family. He earned a law degree, but practiced very little. In 1905 in East London's slums he volunteered to work with the poor in a boy's club. Though he had been raised with the conventional Tory opinion that poverty was the fault of the poor, in his words he found, "abundant instances of kindness and much quiet heroism in these mean streets." He felt outrage that "these people were not poor through their lack of fine qualities." They were

not at fault but “victims.” Clement and his brother, Tom, decided to embrace Socialism and joined the Fabian Society, which was the country’s leading socialist organization. To Clem, “everything in life was bound up with the progress of Socialism.” The brothers rejected the brand of socialistic philosophy of Engels and Marx regarding class struggle, revolution, and historical inevitability. They believed they could attain their goal by education, persuasion, and the gradual addition of piecemeal reforms.

Several union members founded the Independent Labour Party (ILP) in 1893, but it grew more middle class with ideological members devoted to Socialism. The brothers’ actual reception in the Fabian Society was not too warm, and in 1908 they joined the ILP. The coordinating body of the various British unions, the Trades Union Congress, created the Labour Party in 1900 so as to get more labor representatives into Parliament. It was not socialist, but the ILP affiliated with it and eventually converted the Labour Party to Socialism.

The Fabian Society’s Sidney Webb hired Clement Attlee in 1909 to work for the National Committee for the Prevention of Destitution, a group Mr. and Mrs. Webb founded to agitate for reform of the “poor” laws. Working for S. Webb and for the ILP, Attlee gained political experience until World War I when he served in the army. He said, “It was not until the Great War that I fully grasped the strength of the ties that bind men to the land of their birth.”²⁵ The war necessitated a vast expansion of government activity, and the socialists cited this as demonstrating the feasibility of government control over the economy in peacetime. To the trade unions, the most important thing was power. Sidney Webb declared that the party’s goal was “to secure for the producers by hand and brain the full fruits of their industry, and the most equitable distribution thereof.” He wrote further that the party’s second goal was “to secure the basis of the common ownership of the means of production, ...and control of each industry or service.” George Bernard Shaw wrote, “Though the Fabians chose gradual methods, their goal was complete socialism.”²⁶ The political successes of C. Attlee extended from local county council campaigns to running for parliament. In 1931, he became deputy leader of the Labour Party. In 1935, when the labour leader resigned because the party repudiated his pacifist position, Attlee became England’s new Labour Party leader.

Two years after taking leadership, Clement wrote a book, *The Labour Party In Perspective*. In it he stated, “The controversy between Socialism and Capitalism is the dominant public question of the day.” To him there was no ‘we are all socialists now.’ “Socialism to me ... is a living faith translated into action. I desire the classless society.” (Italics mine) Attlee was never a communist, but he lauded “the great experiment in Russia.” He admired the Swedish Socialists in 1933 and held that the Swedish program was a “way station” on the road to a more complete Socialism. The Swedish socialists came to power as a model of cradle-to-grave government benefits in a context of “prosperity and social harmony.” In the 1930s, while the rest of the West was in the grips of a huge depression, Sweden’s prosperity and high employment were due in large part to the lumber and ores demanded by the arming countries of Germany and Italy, not from Sweden’s Socialism.

As the pre-World War II clouds gathered, the Labour Party announced early that they opposed a policy of aggression but should meet Fascism with “cooperation in the economic sphere.” The socialists measured the world around them against the standard of

an imaginary Utopia, and they were poorly prepared to face the real choices that global politics were presenting.

But as the Germans increased their military expansion, Attlee denounced Neville Chamberlain's infamous "peace in our time" by stating that it was "one of the greatest diplomatic defeats that this country and France have ever sustained." In 1945, after the surrender of Germany, Labour Leader Attlee proposed to preserve the coalition government until the defeat of Japan, but the increasing popularity of the Labour Party in the polls caused it to insist on earlier elections. Attlee and Churchill had worked together in "ease and confidence" during the war, but Churchill wrote, "Our only differences in outlook were about Socialism." For that election, Attlee criss-crossed England in his own car with a down-to-earth style while Churchill traveled in a proper motorcade, making a tirade against Socialism.

Labour pointed to the prodigious accomplishments that the government had achieved during the war and insisted it could do the same in peace to give the Britons a better life. The ensuing landslide victory went to the Labour Party. Newly elected Attlee said, "The Labour government came to power with a well-defined policy." "Our policy was not a reformed capitalism but progress toward a democratic socialism." The Labour program had two main objectives; namely, nationalization of industry and social welfare. The first object of nationalization was the Bank of England. Next to be nationalized were the coalmines, the lifeblood of the economy. To follow were civil aviation, cable and wireless communications, railroads and trucking, and electricity and gas. The BBC was supported by an annual tax of \$192 paid by the owners of color TVs.

According to socialist theory, public ownership of industry would be more 'just' and also more productive. But the nationalizations by Labour brought no such immediate benefit, even though the minister of fuel and power assured that there now would be "adequate supplies" with nationalization and without further exploitation "by greedy owners." Because of the severe winter of 1947, the government had to issue an emergency allocation plan, but things went from bad to worse. A series of factory closings resulted in unemployment's rising to 15 percent. Strikes and disputes renewed in the mines as miners began to be disillusioned, and shortages even led ultimately to bread rationing.

During the difficulties of trying to provide the benefits promised by the socialists' insisting "public ownership of industry would be more just and productive," the nationalizations by Labour yielded no benefits. In reality things got worse. Still, Clement Attlee continued to believe in his Socialism and supported the public appropriations of iron and steel (1951) in spite of the fact that the steel worker's union voted against it.

England had exhausted a large part of its national wealth fighting World War II, and nationalizing industries failed to replenish it.

An American loan of \$3.75 billion kept the economy afloat in 1945, and beginning in 1948 the Marshall Plan helped further.

This allowed Labour to pursue its social-welfare goals.

Also, because of the large loss of civilian and troop lives in World War II plus the huge economic drain of that conflict, Great Britain could no longer sustain its great empire. Neither could it oppose the support, which the United States was giving for colonial

independence. Attlee supported independence for the colonies, but he wanted them to adopt Socialism. That was harder to achieve than independence.

The subsequent elections demonstrated continuous falling out of favor with the country. Although Labour won the election in 1951, it was only by a slight majority. Eventual reversal of the nationalization of iron, steel, and trucking had to be done later by the Tory government under Margaret Thatcher. When Labour did come back again, it was in 1997 with the Social Democrat, Tony Blair, but this time Labour's theme was: "Labour is the Party of Business." The quotations and this short history of Clement Attlee's acceptance of, and work to achieve the conversion of England to Socialism are based upon Chapter 7 of Joshua Muravchik's book, *Heaven on Earth: The Rise and Fall of Socialism*.²⁷ Socialism cannot stand up to accurate and clear discussion because it is spurious and erroneous, and it has been found to be unsuccessful in every historical attempt to put it into practice.

Four most obvious examples are: 1) the early post World War II socialization of Great Britain, 2) the former Soviet Union, 3) Cuba, and 4) North Korea. (See Chapter 4: "Results of Applied Socialism.") We in the US cannot just be 'conservative' or 'go back.' Our system has the capacity to make improvements based upon experience.

It does not rely on ethereal conjecture and conviction of a mere "sounds good" idea controlled by a central committee or despot, as in the socialist philosophy. Our system has demonstrated success while in every instance Socialism has produced poverty, disillusionment, and failure. We have the capability in our free-market system to improve continuously, and with determination we must exercise that privilege further to improve it.

There is no learning curve in industries that are socialized. In other words, there is no incentive (profit motive) to figure out better and more efficient ways to produce things. A learning curve creates programs of progression, which dictate that the marginal costs of production go down as quality and efficiency go up. With socialized industries there is no reason to pursue product and process improvements because those industries become nothing more than inefficient, full-employment projects of little value. Those industries become creaking monuments to outdated technologies and vast excess capacity to produce goods that nobody wants to buy but have to when alternatives are not available.

In effect with free enterprise, consumers benefit by receiving better products at a lower price while the producer maintains or raises his gross margin because his work force is more productive.

These driving forces are not in play in socialized industries.

It is easy to understand why so many want to conserve the intent of the founding fathers as the answer to the negativity of the 'liberals' position. However, mere conservation of that intent is to look to the past. I am convinced that our founding fathers established a democratic system, based upon Capitalism, which is the mechanism to work toward continual progress and improvement, and that is what we must sustain and preserve.

1 Ludwig von Mises, *Socialism*, Northampton, England: John Dickens and Co. Ltd., 1969, P. 27.

2 Ludwig von Mises, *Planned Chaos*, Irvington-On-Hudson, New York: The Foundation For Economic Freedom, Inc., 1961.

3 Ludwig von Mises, *Socialism*, *ibid.*, p. 56.

4 Andrew J. Galambos, *Sic Itur Ad Astra*, San Diego, California: The Universal Scientific Publications Company, Inc., 1999, p. 294.

5 Robert L Bartley, *The Wall Street Journal*, “About Freedom in the Free World,” *Opinion*, New York: October 14, 2002, p. A17.

7 Andrew J. Galambos, *Sic Itur Ad Astra*, San Diego: The Universal Scientific Publications Company, Inc., 1999, p. 156.

8 Al Gore, Gore urges repeal of Patriot Act, article in the *Press-Telegram*, Long Beach, CA: Nov. 10, 2003, p. A11.

9 Shelbe Steele, A Victory For White Guilt, editorial in *Wall Street Journal*, New York: June 26, 2003, p. A16.

10 Ann Coulter, *Slander*, New York: Crown Publishers, 2002, p. 122.

11 Ludwig von Mises, *Socialism*, *ibid.*, pp. 357, 358.

12 Thomas Sowell, Quota “logic” defies reality, editorial in *The Contra Costa Times*, Walnut Creek, California: April 25, 2003.

13 Ludwig von Mises, *Socialism*, *ibid.*, p. 356.

14 David Horowitz, *The Campus Blacklist: An Interim Report*, www.townhall.com, April 21, 2003, p. 4.

15 Oliver North, *Campus Critics*, www.townhall.com, May 23, 2003.

16 Sean Hannity, *Let Freedom Ring; Winning the War of Liberty over Liberalism*, New York: Regan Books (HarperCollins Publishers, Inc.), 2002, pp. 151-152.

19 Sean Hannity, *ibid.*, p. 150.

20 Random House, *Webster’s Unabridged Dictionary*, New York: 1986, p. 2015.

21 George Orwell, *Animal Farm*, New York: A Signet Classic (Penguin Books), 1956.

22 Gervinus, *Einleitung in die Geschichte des Neunzehnten Jahrhunderts*, Leipzig: 1853. p. 13. [Footnote on p. 79 of Ludwig von Mises, *Socialism*, *ibid.*, 1969.] 23 Ludwig von Mises, *Socialism*, *ibid.*, p. 358.

24 Ludwig von Mises, *Socialism*, *ibid.*, p. 85.

25 Joshua Muravchik, *Heaven on Earth: The Rise and Fall of Socialism*, San Francisco: Encounter Books, 2002, p. 180.

26 Joshua Muravchik, *ibid.*, p. 181.

27 Joshua Muravchic, *ibid.*, pp. 172-197.

Chapter 4 – The Spread of Socialism Making anything artificially affordable means making it easier to waste.

--Thomas Sowell 1 In the beginning of my search into the history of socialist concepts and organizations I discovered a large amount of written material here in the US. This included names of familiar politicians and organizations, which were prominently in the news early after World War II during my high school and college days.

The figures of penetration of the subtle and masked goals of the Socialism movement are widely disseminated, but through it all stands out the simple concept illustrated by the distinct statement of Ludwig von Mises regarding the conflict of systems: "The real problem is whether or not socialism should supplant the market economy."² It is surprising that so many people, several of whom have achieved high positions in politics, business, labor, and entertainment have succumbed to the sugary, superficial tenets of the Socialism idea and have worked hard to subvert the system of Capitalism.

An early example was Horace Greeley (1811-1872) who founded The New York Tribune. At the time he was said to be the most influential newspaperman of his century. He was a devotee of the Frenchman, François Marie Charles Fourier, who wrote about an imaginary Utopian society based on "scientific" order. Greeley wrote editorials in favor of Fourier's "laws and mechanisms of social order." Although, Fourier never did cite any example or experience with his Utopian society as evidence to support his position, it sounded good. At first it also sounded good to Greeley's managing editor, Charles A. Dana. Von Mises points out on page 80 of his *Planned Chaos* that, "in the field of purposive human action and social relations no experiments can be made. But the experience with social sciences is historical experience." In 1848, Greeley sent Dana to London to recruit a man to become his European correspondent for the Tribune. That man was Karl Marx who with Friedrich Engels had written *The Communist Manifesto*. Marx subsequently wrote over 500 editorials in favor of Socialism for Greeley's newspaper.

Charles Dana, Horace Greeley's earlier executive editor, later left the Tribune. He had observed the miraculous Industrial Revolution unfold in America, which took place through the spontaneous association of people in commerce, with no central planning, no federal regulatory code, and no income tax. In spite of his important newspaper position, Dana had to follow his observations honestly. He had become convinced that Socialism was the "farce" that James Madison had warned would beset a people should information necessary for self-governance be withheld.

Hello, media and public institutions of higher learning! Marx's writing took Socialism from Fourier's farming and rural perspective into the Industrial Age with his (Marx's) own vision of history as a struggle between the bourgeoisie (the privileged, or middle class) and the proletariat (the disadvantaged, or working class). He argued for ten reforms to create a "just society" and claimed further that these conclusions were arrived at "scientifically," which meant that his word was above dispute. But Marx, like Fourier, never used any testing or the scientific method, which method had been given definition, substance, and corroboration by England's Isaac Newton. Marx also never cited any example of the successful use of Socialism. That 'testing' of his belief system actually came later in the seventy-year Soviet Union debacle but not soon enough to expose to Marx the error of his conclusions. Still, Horace Greeley was certain that the ideas of Fourier and Marx were valid "social science." This discussion of Horace Greeley is based on the description of his devotion to socialism by Dr. Edward R. Annis.³ Of the ten

measures to revise society advocated by Karl Marx 4, five are the most coercive and controlling. They are: 1. Abolition of property in land and application of all rents of land to public purposes.

2. A heavy progressive or graduated income tax.
3. Abolition of all right of inheritance.
4. Centralization of the means of communication and transport in the hands of the state.
5. Free education for all children in public schools.

How many of the above five of Marx's objectives do we struggle with today? Amazing how commonplace so many of the socialist inroads have become and how accepting of them we now are! Although outright state ownership or nationalization of industries and the abolition of private property have been defeated so far in Congress, the federal and State tax structures are enormous burdens to all businesses both small and large.

A graphic example of State burdens is found in the State of California.

In the years 2000 to 2003 alone, the manufacturing job loss was over 230,000, and many businesses have fled the State because of rising disability insurance and workers compensation payments imposed by the State legislature. The governor and his Democratic legislature added 150,000 more government jobs during that short three-and-one half year time and proceeded to turn a \$12 billion surplus into a \$38 billion deficit, which is rising rapidly.

5 In fact, this was so flagrant that the people finally reacted and held a recall election of the governor and elected a new one, but the 'liberal' legislature remains.

In this country the manifestation of those who believe in, and push to increase, central (bureaucratic) control translates into the idea of "big government." In practice this results in large confiscations of earned capital and reserves through taxation. This has taken place as the result of the English Fabians' permeation and gradualness and support of a welfare state. In other words, it has been the gradual but insidious penetration and manipulation of government by those who would impose their socialist philosophy on all citizens by stealth. What better example do we have than the vast expansion of the federal government in the 1930s with the creation of the vast network of public works and welfare programs supported by taxes siphoned out of the economy?

It is only conjectural now what a different economical picture might have developed had the protective tariffs and welfare state of the 1930s not been created. Beyond Roosevelt's New Deal programs, further expansion of government occurred under President Lyndon Johnson in the 1960s, backed by the socialist president of the AFL-CIO Union, Walter Reuther. Further expansion of government is still continuing, but it slowed under President Reagan.

The known US Government infiltration by socialists in the 1930s and '40s originally took place by many who were sympathetic to the interests of the communist Union of Soviet Socialist Republics (USSR), and they influenced and supported the interventionist policies of the Roosevelt regime. We now know that many were USSR-paid Soviet spies.* Socialist believers from the British Labour Party who supported the 'ideal social system of the soviets' likewise permeated the British Parliament. There are still many in

the US government who today by their declarations and actions demonstrate that they are even yet sympathetic to the 'liberal' tenets of Socialism.

Why is there such a love affair with the fantasy of Socialism (in spite of its failure in every instance tried) including the failed "Communist Utopia" of the Soviet Union? That this mindset persists among so many intellectuals of Western democratic countries is a genuine perplexity. The real world embodiment of that socialist Utopia, the USSR, killed at least 20 million of its own citizens, and in the rest of the world the other combined socialist governments killed nearly 100 million more. The crime of those millions of victims of the dream of 'social justice' was their refusal to go along with that 'dream'. What a deliberately misled and fraudulent 'justice!' * Revealed in the Venona Project released on July 11, 1995 by the US Government.

The author, Martin Amis⁶ wanted to call attention to just what an "insanely cruel monster" Joseph Vissionarovich Stalin was. Amis stated, "The dictatorship of the proletariat was a lie; Union was a lie, and Soviet was a lie. And Socialist was a lie. Comrade was a lie. The revolution was a lie." How many intellectuals believed and spread this lie and thereby colluded in the enslavement, death, and generalized social misery of hundreds of millions of Socialism's citizens? Martin Amis's answer is, "The overwhelming majority of intellectuals everywhere." (Italics mine) Ludwig von Mises⁷ describes the self-evaluations of academic people who by-and-large believe they are under-compensated for their intellectual value. Dr. von Mises provided part of the answer to the why of the 'intellectual' negative portrayal of Capitalism, but since this anti-Capitalism portrayal is so widespread, there has to be more. And there is.

If those intellectuals who believe themselves so valuable are so dissatisfied, they should work in open and positive ways to improve their lot from their lesser economic positions, rather than to try to demean, degrade, and impugn the obviously superior and moral system of Capitalism. Probably most do not even recognize consciously the true reason for their antagonism. Thomas Sowell⁸ in his book, *The Vision Of The Anointed*, adds another dimension to the question of the why of the intellectual disgust with Capitalism and the importance of the individual in the United States.

The following is a recent example of a central despot's dictatorial (central) control in the year of 2002. Zimbabwe, Africa was experiencing a growing famine because of the central-controlling dictator, Robert Mugabe, and his violent suppression of any entrepreneurial food productivity and of food imports. Hundreds of thousands of people starved. Mugabe ordered confiscation of white people's properties and farms. The awarding of those farming properties to his family members and political cronies was coincidental to the destruction of the production of the food capabilities of the farmers displaced. Of course, most of those recipients of the stolen properties had little to no experience with farming; so another factor for famine was introduced. Is there a cheer for central control?

Socialist Tactics Infiltration of the institutions of public education has been a highly successful activity for propagating the false message of Socialism.

It appears that the aim of the gradual infiltration of the US education system and the achievement of transforming the spirit of individualism and Capitalism has been in large part 'won,' judging by the deliberate changes taught in the public schools away from the

philosophy of individualism and the history of the successful system of Capitalism. Who could have predicted that the 'relativism' of morals and history now propagated by 'liberals' could have such far-reaching and negative effects upon the citizenry and the policy making of those now in government?

In an earlier chapter, I discussed the gradualism of infiltration of the socialistic mechanism into the democratic governments of both Britain and the United States, as promulgated by Sidney Webb and George Bernard Shaw. They believed, and I suspect that many supporters of government intervention still believe, that gradual application of government interference is the best method of achieving full Socialism.

But many interventionists are not full socialists. They hold that the establishment of a mixed economy would "improve" Capitalism by a system of permanent management. They undertake to restrain and to regulate free enterprise by government interference with business and by labor unionism. Miscalculation and misunderstanding of true free enterprise is reflected in that erroneous assumption. The tragedy of that idea is that it is so widely accepted. Whether the perpetrators are succeeding by design or merely by sincere belief does not alter the outcome. Nonetheless, in the words of Ludwig von Mises⁹: "All methods of interventionism are doomed to failure." There are other tactics that are notorious but not always recognized as collectivist methods. For instance, the socialist-'liberals' [Or is it 'liberal'-socialists?] attack proponents of capitalistic successes and programs by hurling all manner of class-envy invectives at Capitalism: "It helps the rich; it ignores the poor and the homeless!" This and variations on the theme are their constant thrust, whether it is against tax reduction, 'protection' of forests, environmentalist antagonism against oil drilling, opposing nuclear reactors, or support of programs to improve the welfare infrastructure of the country in order to obtain their objectives of influence and power.

When have you heard the 'liberals' engage in open and factual discussion for the concepts they espouse? For whatever reason they oppose Capitalism, it is an undeniable fact that this country owes its present wealth and high standard of living to Capitalism's productivity. Who in this country, outside the homeless, lives without running water, a bathroom, and a stove? When I say "everyone under capitalism benefits," I mean to point out that we have in this country the richest 'poor' in the world.

The "race-card" is another favorite tool used by the 'liberals.' By its use, the target of the offensive accusation (an individual or organization) is put on the defensive and usually has to try hard to deny it or at least demonstrate that he, she, or an organization is not biased. This dilutes the very objective of the debate, and the 'liberal' thus avoids the necessity of proposing positive ideas and discussion.

The most recent example is the unfortunate Senator Trent Lott.

For making an 'offhand' but offensive "racist" statement at the 100th birthday dinner honoring Senator Strom Thurmond, Senator Lott was made to apologize multiple times and then make reassuring statements to show that he was not racist. But those statements included agreement with embodied positions held by the Democrats, such as being for affirmative action. The Republicans could hardly have their majority leader espousing positions opposite to their own, so a new majority leader was chosen.

“Race-baiting” is effective because of the large numbers of people in the targeted minorities. The blacks, the Hispanics, and the Jews are favorite objects. The Irish, the Japanese, the Germans, and the American Indians in the past have been the objects of derision. To exploit and keep negative race feelings alive is, to say the least, derogatory and divisive, which is contrary to the unifying idea of “I am an American.” “Hyphenated Americans” is a perpetuating concept of dividing, not uniting. Terms like, African-American, Mexican-American, Hispanic- American, and Native-American, for example, imply a double loyalty. It separates groups away from each other. One seldom hears, Korean-American, Irish-American, Chinese- American, Japanese-American or Scandinavian-American for those who have obtained their citizenship from those origins. US people in England or Germany, who for some reason decide to become citizens there, do not refer to themselves as American- English or American-German.

Other tactics are opposition and criticism, besides the stealthy infiltration of schools for indoctrination and altered history teaching.

These tactics are followed by personal vituperative attacks on anyone with different views. In State universities the political bias against conservatives in the hiring process amounts to an illegal political patronage operation, and campus funds available for political activities are inequitably distributed to student groups with leftwing agendas (approximately 50 to 1).¹⁰ It is no accident that the system of Capitalism is the driving force of the success of the United States, which is based upon the freedom of individuals to interact freely in exchanges of goods and services and in forming associations and organizations. The founders of this country established a capitalist nation. “Democracy is inextricably linked with capitalism.”¹¹ Organized Socialism But let us get back to the beginning of today’s organized Socialism.

In 1883, a group of socialist doctrinaires in England founded a society titled the Fellowship of the New Life. The earliest organizers at first were earnest do-gooders who wanted to cultivate their own moral perfection, but they soon concluded that it would be more productive to work for the transformation of political institutions. Later to join were mostly wealthy heirs, writers, and intellectuals who extended their influence far beyond their small group. The British Labour Party first received political direction from them. These members soon chose another name for their organization, the Fabian Society, derived from Quintus Fabius Maximus (275-203 B.C.). Quintus Fabius was a Roman statesman and general who harassed Hannibal’s army by stealth and guerrilla warfare without risking a pitched battle. The Fabian Society has used stealth ever since, and it is their mode of operating.

Because of their acceptance of gradualism, they chose the tortoise as their symbol.

George Bernard Shaw and his lawyer friend, Sidney Webb, were among the most influential of the early Fabians. Webb, an executive director of the Fabian Society before the turn of the century, wrote the organization’s first and most enduring propaganda tract, Facts of Socialism. Living off his wife’s inheritance, Webb and his wife devoted themselves to the Fabian goal of transforming Great Britain into a socialist society. They were responsible for the reorganization of the British educational system, and their poverty proposals formed the basis of the welfare state.

Webb was neither an historian nor an economist, but he wrote two highly influential volumes: *The History of Trade Unionism*, and *Industrial Democracy*. And in order to establish socialistic theories as “social science” he founded the London School of Economics to educate future world leaders. Former U.S. President, John F.

Kennedy was a student there.

The London School of Economics has not remained solely an institution to promote socialist interpretations of economics. On May 9, 2002, at the libertarian Cato Institute’s 25th Anniversary gala¹², the first recipient of Cato’s major new award: the Milton Friedman Prize for Advancing Liberty, was awarded posthumously to Lord Peter Bauer, Professor of Economics, from the London School of Economics. Professor Bauer, 86, died just one week prior to that event. He was one of the past century’s great champions of human dignity and freedom and the pursuit of happiness. He argued for “trade, not aid.” He propounded that the real answer to poverty lies in giving people the freedom to choose how to spend their own energy and resources, not in subsidies or state planning. He and his free-market associates set an agenda that provides at least a “fighting chance” for genuine global prosperity and peace.

Sidney Webb further initiated the Fabian program of “permeation,” which meant infiltration of all major political parties to make certain that socialist programs would be enacted no matter what party was in power. G. Bernard Shaw¹³ explained the tactic of permeation as “accepting, instead of trying to supersede, the existing political organization which it intended to permeate with the Socialist conception of human society.” He wrote also of the need for “gradualism” in accomplishing the aims of socialism.

Gradualism is nothing more than the concept of Karl Marx’s *Communist Manifesto*, in which he stated, “The state should wrest, by degrees all capital from the bourgeoisie, to centralize all instruments of production in the hands of the state.”¹⁴ It was to wrest also the wealth from the hands of the bourgeoisie. Step by step, bit-by-bit, little by little, the process should continue until the bourgeoisie no longer have any property at all.

The Fabians have used the Marxian mechanism well. Today, collectivism has reappeared in new forms like environmentalism and the assertion of ethnic or other ‘group rights.’ The cult of political correctness (pc) threatens free speech. The subtle and slow infiltration of these ideas into our schools and discussions has happened so gradually that somehow citizens of today, with the present welfare status, have become conditioned to accept these intrusions as routine without understanding what they are losing.

Isn’t it interesting and significant that there is no push for the reverse, that is, to infiltrate Socialism by stealth and “permeation” to change it little by little and bit-by-bit until everyone possesses property. In all reality, there is no need to subvert a bad institution in order to overcome its corrupt basis; exposition of it is sufficient. Truth and accurate history speak for themselves. Nevertheless, the ‘liberal’ educational institutions in this country could use a permeation of higher concepts of individualism and the actual history of our country’s founding.

Fabian penetration in Great Britain was appreciably successful in 1923-1924 under Prime Minister James Ramsay MacDonald, himself a member of the Fabian Society, by

achieving recognition and trade support of the Soviet Union. Further, under the coalition and conservative governments that followed, much of the socialist agenda was realized in national health insurance, welfare, centralized economic planning, monopolization of broadcasting under the British Broadcasting Corporation (BBC), and a push for the nationalizing of some of Britain's industry.

After the difficult years of World War II, Winston Churchill warned his countrymen about the "unrealistic promises of the radical socialists in the Labour Party ." Nevertheless, the Labour Party was voted in, and it embarked on immediate wholesale nationalization of industry – and, most tragically, the socialization of the healthcare system.

Socialization was supposed to bring an end to labor unrest, but instead, it brought more strikes. It promised to bring postwar prosperity, but instead, it brought decline and despair. In fact by 1949, the 'British Empire' unraveled, and the country was in an economic crisis that required the Labour government to impose an "austerity" program because productivity had declined so far that rationing had to be instituted. I personally experienced that austerity when I left Germany in December of 1952 and traveled to England. I could not purchase even a bag of peanuts in London, although at that time peanuts were readily available in Berlin, Germany.

By 1952, the tremendous economic failure of the Soviet Union was not universally recognized. The USSR would last another thirty-seven years before its economic structure would completely disintegrate. Only then would its utter bankruptcy be fully recognized worldwide by more than the few visitors who were permitted inside. It had kept its power, not by the intrinsic growth and prosperity that originally were promised, but by the force of guns and murder, the elimination of all opposition.

Economic decline under Socialism occurred faster in England, but still the understanding of its failing has not penetrated the intellectuals in the United States to this day. They believe 'theoretically' that the system is good, just that the leaders corrupted it; e.g., Stalin, Castro, and Mao Zedong (Tse-Tung), etc.

It isn't the bad leaders that have caused Socialism to fail. It is the system itself that fails. The system of Socialism is not good. It suppresses individuality, incentive, entrepreneurial endeavor, and inventiveness; and above all, it suppresses the creation and ownership of private property. These are absolutely important to the growth of wealth and prosperity for any nation.

Organized Socialism in the United States So much for a summary of British Socialism! What about the establishment of the Fabians' system in the US? Shortly after the turn of the 20th century, a Fabian sister organization was founded in New York named the Intercollegiate Socialist Society (ISS).

Not long after, it became the League for Industrial Democracy (LID), taking the name from Sidney Webb's writing, Industrial Democracy. Early founders of the LID were intellectuals, including author, Jack London and attorney, Clarence Darrow.¹⁵ By 1948, probably the best-known socialist was six-time Socialist Party candidate for President, Norman Thomas. He functioned as associate editor of the socialist publication, The Nation, and he was a founder of the American Civil Liberties Union (ACLU).

There were many subversive organizations, but regardless of the good intentions of most members, they were controlled from the Kremlin, which became easy to prove. Thomas and many gullible do-gooders and clergy prior to World War II rallied behind causes to benefit what they perceived to be the consummate Utopian society, the Soviet Union. Those confused and misguided sympathizers began to call themselves “liberals,” but the communists called them “useful innocents.” When one hears disagreement from people about the types of cases that the ACLU chooses to defend, I would only remind them about the tenets of the organization’s founder, the socialist, Norman Thomas. Those complaining citizens must understand and remember the ACLU’s socialist origin and agenda. I can readily comprehend (though not accept) its basis of approach to contest and impede “the injustices of the capitalist system.” I must admit they are clever in using the terms of our justice system with subtle twists to serve their socialist (‘liberal’) aims. This fits the fundamental socialist concept that an individual’s rights are subservient to the state.

But with comparison to our system based on guarantees of personal liberty, the questions emerge: Why did Socialism originate in the first place? And, why do its supporters detest so much of the US institutions and seek to subvert and eliminate them?

The McCarthy hearings in the 1950s were doggedly misrepresented and maligned by the ‘liberals’ in government and the media.

Yet the investigations made the American citizens aware of the totalitarian nature and expansionist thrust of the Soviet Union.

The people became alarmed at the extent of subversive activity of the socialist elements in the United States Government, and finally, the magnitude of the subversion was revealed. It all lived up to the indirect and gradual approach of the British Fabians’ namesake, Fabius Maximus.

Prior to “McCarthyism” the scheme of permeation resulted in the formation of the Union for Democratic Action (UDA) in 1941.

This was the first openly socialist organization to distinguish itself apart from other socialist groups, which had communist members.

The UDA publicly ‘disavowed’ communism, but that disclaimer was only verbal, not actual. Its primary focus was to pressure Congress and the Administration to assure the security of the Soviet Union. After suffering losses in 1947 to the ‘conservative’ Republicans, Walter Reuther, the then president of the AFLCIO and a well-known socialist, changed the UDA name to Americans for Democratic Action (ADA). The leaders of this renamed socialist organization remained the same, and their beliefs did not change. Nonetheless, in order to gain wider support, they avowed publicly “to reject any association with communists or sympathizers with communists.” Simply by that statement, they would become ‘born-again’ patriots. Ah, the masterful stealth of those earlier socialist leaders! Dr. Edward R. Annis¹⁶ reported that in *The Partisan Review* (1947) the socialist history professor, Arthur Schlesinger, Jr., at Harvard, wrote the embodiment of the Fabian doctrine of gradualness that characterized the ADA platform thrust upon John Kennedy’s administration; namely, “If socialism is to preserve democracy, (*italics mine*) it must be brought about step by step in a way which will not

disrupt the fabric of custom . . . the transition must be piecemeal; it must be parliamentary; it must respect civil liberties and the due process of law.” Dr. Annis quoted further: The Harvard socialist, Arthur Schlesinger, Jr. and Walter Reuther were closely associated during the early stage of the Americans for Democratic Action. Arthur Schlesinger, Jr.

once prophesied of Reuther: “Walter Reuther, the extraordinary able and intelligent leader of the United Auto Workers, may well become the most powerful man in American politics.

And as Schlesinger continued in that Partisan Review article: “Socialism, then, appears quite practicable within this frame of reference, as a long-term proposition. . . . The active agents in effecting the transition will probably be, not the working class, but some combination of lawyers, business and labor managers, politicians and intellectuals, in the manner of the first New Deal, or of the Labor government in Britain.” It happened as Schlesinger (not Marx) predicted and is still happening.

Walter Reuther was basically motivated by power, as are all those seeking to infuse socialist mechanisms into the governmental influence and control over people and their freedoms. Now I am beginning fully to understand the motivation to undermine gradually the citizens’ individual control of their own personal destinies as guaranteed by the Bill of Rights. Dr. Edward R. Annis¹⁷ wrote, “In a personal letter to me (Dr. Annis), that . . . was affirmed to me by Senator Dirksen who told me that Reuther* was probably the most powerful man in American Politics.” No matter the method the ‘liberals’ use to instigate their agenda, it is motivated by the thrust for POWER.

David Horowitz¹⁸ reported that the 1960s radical activists in returning to the Democratic ranks in the early 1970s assumed the less threatening cover labels of “liberal,” “progressive,” and “populist.” Though the socialist Progressive Party had bolted the Democratic Party in the 1930s, the members returned again in 1972 during the presidential campaign of former Progressive Party activist, George McGovern.

The ADA members assumed the label “liberal,” and it stuck. But the word liberal derives originally from the Latin term liber, which means free. A more misapplied label could hardly be found for their collective philosophy. Subservience to the state is anything but free, but the word liberal has a positive connotation, which leads to the borrowing of the word and its dishonest application by those who would mislead unknowing but sincere people.

Can leopards change their spots? Is it a coincidence that today’s Democratic Party embodies so many of the original tenets of the Fabian Socialists?¹⁹ According to David Horowitz,²⁰ “The Left has achieved success in transforming the lexicon of American politics. Following the failure of the revolutionary projects in the 1960s, the radicals of that time became ‘liberals’ and established university speech codes and other forms of censorship in the 1980s.” To be in positions of power is their objective. As Sean Hannity²¹ puts it, “Modern liberals, led today by Senator Tom Daschle, a South Dakota Democrat, are building on an ideological foundation that was laid forty years ago by the radical Left of the 1960s and 1970s.” One has only to observe, and I believe it is by conscious design and political gamble, that by subterfuge, innuendos, criticisms, and

obstructions, the Democratic Party continually attempts to influence the great voting American public to secure * Walter Reuther died in an airplane crash in 1970.

political power to itself. The biased major printed media²² turn out to be good allies.

By criticizing those of opposing views, but posing as paternally concerned, great numbers of people are unduly beguiled into feeling and thus into non-thinking. Many of those people then vote for things that actually are detrimental to them in the long run.

In England, though not exactly puzzling, what heretofore may have been difficult to fathom is the underlying power of belief that supporters have had of the most alarming and extensive drive to undermine and nationalize the elements of British democracy.

The same can be said of the same type of push in the US to reduce the hard-fought institutions of the American Republic.

Encouraging today is the attempt by various countries to establish modern democracies, often by efforts to copy the great United States institutions. However, it is alarming that elements of the socialist agenda in the US may also become included in those countries' attempts at self-government. Witness the weakening effects in modern France and Germany of the socialist emphasis on the welfare state and high taxes, resulting in economic stagnation and high unemployment.

Here at home it would appear that the strong patriotism and strength of conviction for the freedoms of this nation have been gradually weakened by socialist subversion but not eliminated.

This weakening has been alarmingly true in the last four decades by the gradual undermining of our public schools and the elimination of the fundamental history of how and why the great United States was originally established.

We must address the laxity of accurate education in the public school system, which has gradually softened the emphasis on the importance of the correct history of the American Republic, its Constitution and Bill of Rights, the Federalist Papers, and the history of Western Civilization in general. In fact, in many textbooks, US and Western Civilization history have been entirely rewritten to inculcate the collectivist philosophy and to downplay the powerful motivation of independence. This motivation has been drastically reduced by the effects of government promised and supplied public welfare and the dependence it generates.

On September 11, 2001, the terrorists' New York attack crystallized the bulk of the nation to solid patriotism, yet still the exclamations of the 'non-violence' crowd and too many outcries in academia and the liberal media (to say nothing of the Democratic Party) are still loudly to be heard.* I am not sure, but is the seriousness of the insidious socialist encroachment beginning to be obvious? I have wondered for years, how could this inferior socialist philosophy bear support among intelligent free people? Four elements constitute the most plausible answer: 1) the socialists are inspired by the godless religion of Socialism, 2) the drive for power effectively uses the manipulation of the emotions and actions of the lesser-educated 'masses,' 3) support for Socialism can be attributed to the concepts of the anti-capitalistic mentality²³ plus the biased media, and 4) the 'anointed' academia promulgate it.²⁴ Another contributing condition is that present generations are very comfortable compared to earlier ones. Great comfort can lead to complacency,

which can reduce the alertness and vigilance necessary to teach and preserve the liberty and freedom so dearly won in past conflicts. Vigilance and being informed are necessary to avoid the encroachment of those desiring to bear undue influence and power over us and cause us to question the very fundamentals of our freedoms and free market.

The United States of America has the highest standard of living of all the countries and nations in the world. The simplest and truest of all explanations is that Capitalism is the system, which provides for the needs and wants of the people (consumers) in the best and most efficient manner. Consumers decide what is successful in the market by choosing the best products at the lowest prices available. By pleasing consumers, the entrepreneur enjoys success. It is the freedom in the US to take the risk of * See Ann Coulter's Slander and Sean Hannity's Let Freedom Ring for recent examples.

starting a business to provide products that benefit those who purchase them, which has created the highest living standard for everyone ever experienced in history. Western civilization adopted Capitalism, and everyone in the capitalistic countries benefited by its marvelous achievements. Liberty inspires the free market, not coercion.

Why then is there an extensive drive to portray Capitalism in such a negative light by intellectuals, members of the media, and the Democratic Party? I decided to do research of my own to attempt to find out why. I found the most plausible explanation in the writings of Ludwig von Mises.²⁵ Von Mises pointed out that in the early nineteenth century there were many who wanted to learn more about economics, the new branch of knowledge at that time. But economics is different from the natural sciences and technology and may seem strange to a beginner who is more used to the structured and logical subjects of natural sciences, such as physics and biology. Because of basic ignorance of economics, people tend to ascribe all improvements in economic conditions to the progress of the natural sciences and technology. As most citizens see it, the unprecedented technological improvements of the last two hundred years were not caused or furthered by the economic policies of the age.

They tend not to see them as achievements of Capitalism, of classical liberalism (in its rightful meaning), of free trade, or of laissez faire. Therefore, they could assume that successful economic progress might also occur under any system of society's economic organization. It is on that erroneous assumption that Marx could exploit so effectively the misconnection of understanding about the true nature of the essential union of liberty and Capitalism.

In a free society, he who supplies and satisfies the needs and wants of consumers best is the one who stands to become wealthy (or "rich"). There are many who do not achieve what they most wish to accomplish. Too often they must search for a scapegoat to restore their feelings of worth. The self-delusion proceeds along the line that it just cannot be their own failure; it has to be successful peoples' 'unscrupulousness or dishonesty' that helped them succeed. The more sophisticated persons (intellectuals) sublimate their hatred of those persons more successful than they (but of 'lower' intellectual ability) into a philosophy of anti-Capitalism.

Because those learned people are rewarded less (i.e., earn less), in spite of their 'greater' intellectual abilities, they work to alter this 'injustice.' Part of their allusion to this

inequity is to point out the 'inequality' of Capitalism that "allows" poverty and poor people.

They thus can hide their enmity by supporting the system that distributes the wealth evenly and justifies their disdain for those who can become rich. In truth, it would be bad form to proclaim their relatively small compensation (compared to many successful entrepreneurs) to be the result of the accepted capitalistic system, so they dwell on 'the poor' in order to create guilt in those who become wealthy. They loathe Capitalism because it has "assigned" to other men the position they themselves would like to have and believe they deserve. Actually, it is the market and price system of Capitalism that determines a man's success or failure.

He or she becomes rich who satisfies best the desires of the consumers.

If (and this is a BIG if) higher education institutions were operated on an entrepreneurial basis to be paid for by the students, then the best educators by competition among teachers and professors of education would produce wealth in their field according to the satisfaction they produced. In simple understanding, those offering the best usable education would command the best earnings. Their successful students would then refer more students and would also send their offspring to be "best" educated.

Those educators would not have to rely on budget allowances of some bureaucratic education department and be subject to the up and down fluctuations of budgets. Peter Brimelow²⁶ concurs and states, "...privatization could give teachers a personal financial stake in successful education reform." We know that unrestrained competition produces the best results.

Competition between educators would create the best atmospheres for learning, and their successes would attract the greater number of students. The best educators thus could enjoy the benefits of larger incomes by satisfying best the needs and wants of the student consumers.

I realize the unlikelihood of changing today's system of education to a free-market basis. It would be at least as difficult as trying to change the basis of Medicare back to free-enterprise medicine.

The free-market is not a respecter of persons or professions.

Ludwig von Mises²⁷ stated, "What counts in the frame of the market economy is not academic judgments of value, but the valuations actually manifested by people in buying or not buying." The most probable example of the crept-in laxity is in today's federalized US public school system. I think a combination of elements, not the least of which is the so-prevalent denunciation of Capitalism, has stolen into the US with a for-the-most-part unrecognized intensity and success. Again, why? Certainly one element of the answer is that organized, focused, and vociferous groups ('liberal') are simply more readily listened to; whereas the more comfortable and busy "silent majority" wish to be left alone to pursue their own happiness.

As an aside, in response to those who complain that popular sports figures, Hollywood personalities, and opera singers are paid "so much," one must remember that the earnings of those public figures come from the large numbers of voluntary consumers who are entertained by them.

Earlier, I was deeply puzzled as to the extreme motivation of those who go to so much trouble to impose their beliefs upon others and at the same time vigorously exclude any contradictory precepts or principles and then seek to deride and degrade the concepts of individual freedom. Acquisition of power is part (if not the major part) of the answer. The other part is the belief of the miseducated that Socialism, as an ideal, is better than Capitalism.

Perhaps the complex answer may be addressed in part by the line of the relatively recent Fox News Channel in which both 'conservative' and 'liberal' views are reported and debated. Different from the disproportionate, biased, and intolerant 'liberal'-media point of view, the reporters and commentators at the Fox News Channel do their best to present "clear and balanced news." Their motto is: "We report; you decide!" I am reporting.

Results of Applied Socialism History has proved the huge error of Marx's idea of bureaucratic, central-government control and the total abrogation of ownership of private property. Historically, because of the failure of "to each according to his need," the Soviet Union in 1936 changed the wording (and thus the meaning) in Article 118 of the Soviet Constitution to "to each according to his production."²⁸ The Soviets went away from Marxism and communism towards incentive and earnings (which occur naturally in Capitalism) because their central committee had to do something to increase production.

Surprisingly today, many aspects of the erroneous socialist philosophy still survive among intellectuals who teach and are paid in the public education system of our country. Their excuse: It was only misguided dictators like Stalin, Castro, and Mao who misused the lofty concepts of "to everyone according to his need, from everyone according to his ability" to detract from the 'ideals' of Socialism. Those intellectuals totally miss the real reason for the failure of Socialism; namely, that the very concept goes against human nature and individuality. It is observable that "people tend to do more for their own benefit than for the benefit of others."²⁹ It is natural to value the ownership of property, from utensils to tools and to clothing and homes and beyond. Look how quickly tiny children (and older ones) display the natural possessiveness towards their toys before any attempt can be made to inculcate any philosophical bent. Understanding this, I remember teaching my little ones that they did not have to share their toys with their siblings. But, if they traded the use of their toys with their brother and sister, they would enjoy the use of more than just their own toys. In other words, both sides would benefit, and the toys would still belong to them. I believed (and still do) that it was important to start early in teaching my children the value of trading and exchange for honest gain.

On the one hand, a good illustration of the possessive thinking of the communists is: "What's mine is mine, and what's yours is mine." Therein, one side certainly loses. On the other hand, the socialists vary it slightly; namely, "What's mine and yours is ours." Therein, nobody gains, and no one owns his own property. Trying to understand that 'fuzzy' thinking is most difficult in the light of experience.

The following seven examples of attempted Socialism illustrate the ultimate failure of that system.

Example 1 The American Pilgrims It is not widely known today and seldom mentioned that on landing on this continent in 1620, the pilgrims under the leadership of William

Bradford, Governor of the Plymouth Colony, pooled all their supplies in a “common” warehouse. Tools and supplies were doled out in the fairest manner that the good governor could muster for the pilgrims to use to grow food and build structures for the good of all in the new community. In the first two years they almost starved, and half of them died. It was then that Governor Bradford distributed everything that was left to all the remaining colonists and distributed land to them to possess their own plots of ground. He told the remaining band of people that they were on their own. In that third year of settlement, operating in their individual interests, they enjoyed a “bumper” harvest and celebrated the first Thanksgiving on this continent.³⁰ The word Socialism was not coined yet.

Example 2 Robert Owens’ New Harmony, Illinois Robert Owen, Welsh by birth, in 1825 assembled a group of followers in a township in Illinois that he purchased from a preacher, George Rapp, to launch “a model village of unity and cooperation.” His socialist philosophy was based upon the idea that no human “is responsible for his will and his own actions.” He vehemently opposed religion, concluding that all faiths were “based on the absurd imagination, that each [person] ...determined his own thoughts, will, and action, and was responsible for them to God and his fellowmen.” This, he said, turned man into “a weak, imbecile animal; a furious bigot and fanatic; or a miserable hypocrite.”³¹ Leaving home in Newtown, Wales at the age of ten, Owen began work in London for only room and board. As a teen he joined a partner in manufacturing “mules” (machines recently invented for spinning cotton). He rose through various positions until he managed, and later bought, the spinning mills in New Lanark. He paid attention to the 1,700 to 1,800 employees, 400 to 500 of whom were pauper children. Owen reduced the hours of required work and cleaned up the mills. He also cleaned up the town and ultimately the houses of the workers.

Owen established schools for the children to age twelve. The subjects taught were singing, dancing, and military drill with “book-learning” only in the last years. The cardinal rule was kindness. The fame of this schooling spread so far that some very important guests came to observe it for themselves. Foreign ambassadors, bishops and clergy as well as the father of the future English Queen Victoria, and Nicholas, Tsar-to-be of Russia, all visited the school. In a ten-year period, the guest book shows about twenty thousand visitors listed.

The revolution in the technology of the textile industry displaced many workers. This caused the “Luddite” riots in many cities, which destroyed a lot of the laborsaving machinery, but because demands decreased after the Napoleonic wars, many people went to the public workhouses. This inspired Robert Owen to design an ideal village, which would accommodate twelve hundred people.

People would live and eat communally. They would live a life of virtually “effortless abundance.” By three five-year stages of education, they would be preparing them to become, at age fifteen, “men and women of a new race, physically, intellectually and morally; beings far superior to any yet known to have lived upon the earth.” Owen envisioned further, that “there will be no cruelty in man’s nature.” He sought no violent confrontation to destroy the existing system, because he believed that the force of example could achieve his “terrestrial paradise.” His surmises of belief were like Marx’s. They were based on his conjectures, not upon observation of them in practice.

When Owen purchased an Illinois township from George Rapp, he planned to launch an experiment in replacing the existing “individual selfish system” with a “united social” one.* His intention was to put in practice in America, communities founded on the principles of “equal distribution of enjoyments and of labors.” The idea of a “new man” became the enduring centerpiece of the socialist vision. Socialism promised a surfeit of material goods and brotherly harmony, and its ultimate reward would be the “transformation of humans.” He believed that a life of brotherhood and sharing would spread his philosophy and would demonstrate the happiness and efficacy of collective living.

At least Robert Owen attempted to create an experiment to demonstrate his belief, but his son, Robert Dale Owen, wrote that his father tended not to accept the troubles and failings of his own experiment.

On the other hand, François Babeuf, an early French social theorist and reactionary, as well as Fourier, Engels, and Marx all insisted that the collectivization of private property could only be achieved through the power of the state. Marx and Engels dismissed Owen’s approach as “Utopian.”* In all practicality, within two years the New Harmony experiment failed. Despite the large population, there was a shortage of labor.

In the colony’s various industries, there was a falling-off in output, and several ceased operation totally. The Owenites failed to * It is an interesting historical fact that Robert Owen and his followers coined the term socialism.

* Utopia derives from Greek and means literally “not a place” or “no place.” plant sufficient crops in the first spring or summer on the fertile lands they had purchased. One historian reported the “the most industry was manifested in accusing others of doing little.” Another writer reported, “A pilfering disposition very much prevailed.” Many left the colony early in spite of attempts to improve education and also because of Owen’s anti-religion belief.

Robert Owen attempted further experimental socialist communities, but none persisted. He stated, that he “found the population of the States far too undeveloped at that period for the practice of a full true and social life.” Though he was sincere and convinced of the ultimate correctness of his theories, it became apparent that Socialism would have to be achieved by transforming society as a whole. Shades of Marx, Engels, and Fourier! It is obvious that Owen’s system could not succeed because it goes against human nature and individuality, but even though the futility of his experiment might have been pointed out to Owen, he notoriously did not listen to dissenters or to those who criticized him or pointed out the failure of his hoped-for results.

Robert Owen’s son, Robert Dale Owen, recognized the difficulty his father had in admitting the reason for the failure of the New Harmony episode. Whereas the father, Robert Owen, was convinced that “the population of the States (was) far too undeveloped at that period for the practice of a full true and social life,” his son gave a more honest attempt to diagnose the collapse of New Harmony. He concluded that the “most potent factor” was “All cooperative schemes which provide equal remuneration to the skilled and industrious and the ignorant and idle, must work their own downfall, for by this unjust plan of remuneration they must of necessity eliminate the valuable members.” (Italics mine) New Harmony was a genuine example of human nature in action.* * This

forgoing example was obtained and condensed from Joshua Muravchik's *Heaven on Earth: The Rise and Fall of Socialism*, Chapter 2.

Example 3 The Failure of England's Nationalization The story of Clement Attlee's post World War II nationalizing of England's industry and social welfare and its failure are contained in Chapter 3, "Social Democracy in England." **Example 4 Brigham Young's United Order Of Enoch** In the United States, the well-known group of pioneers, the Mormons, tried a system of social cooperation.³² Their history in the latter half of the nineteenth century includes several establishments of Brigham Young's "United Order of Enoch." With religious fervor and direction, their leader, Brigham Young, envisioned a "time will come when we can give all into the storehouse of the Lord and have our inheritances given out by those who will be appointed." Brigham Young, President of the Church of Jesus Christ of Latter Day Saints, went to southern Utah in the winter of 1873-74 to St. George and organized The United Order of the City of St.

George. Every person was asked to contribute only his "productive property" in return for capital stock, and there was to be spiritual as well as temporal union. Brigham and his associates established several other similar "orders" throughout southern Utah and shortly later in northern Utah.

President Young reasoned further that, "If cooperation was practical in each separate field of economic activity, how much better a cooperative of cooperatives that would organize all fields of economic activity under one directing head." In 1875, he established a more intense type of communal way of life starting in Orderville in Kane County, Utah where the people contributed all their property to the United Order. There was no private property, and the participants lived as one large family, even to eating meals at large communal tables. It lasted eleven years until they began to introduce a system of differential wages.

Although some of the orders lasted into the 1890s, they were all short-lived. There were various reasons given why the plans ended. A few of the excuses included that 1) there was a grasshopper plague, 2) the leading men were jailed for polygamy, or in still others, 3) it was 'bickering and lack of cooperation,' or 4) just "human" problems.³³ The Mormons still insist that the failure was only because of the "weakness" of men not the God-inspired plan.

In hindsight, it is pretty clear that the communal type of "cooperation of property" goes against human nature. The Mormons never referred to their plan as "Socialism," but the tenets (though religious and noble) were nonetheless identical to the premises of Socialism.

When presented, superficially at first, Socialism does sound tenable, but on closer scrutiny, in-depth examination, and experience it does not hold up. Human nature does! **Example 5 The USSR** The largest and best-known system of organized (and coerced) Socialism is the establishment of the Union of Soviet Socialist Republics (USSR), which dissolved in 1991. The party that ultimately established the USSR was comprised of the Bolsheviks who were the more radical minority of the Russian Social- Democratic Party, 1903-17. They advocated the immediate and forceful seizure of power by the proletariat. Vladimir Ilyich Lenin, one of the Bolshevik revolutionary leaders, was the Soviet premier

from 1918 to his death in 1924. Subsequently, under Stalin over 20 million people were killed because they did not blindly accept the 'ideal' communist (socialist) society.

The full story of the USSR inception, its reigning years, and its end is too long for inclusion here. Interestingly, Soviet "planning" was done by using prices from bourgeois markets. Suffice it here to call attention to its ultimate failure, comparable to all other attempts to install Socialism as the system of an "ideal" society.

Example 6 Castro's Cuba The story of Castro's communist Cuba (1957-present) is one of murder, suppression of citizens, their rights, and their production; export of terrorism; and soldiers sent out to Africa and South America to support overthrows of democratic governments. Castro initially concealed the fact that he was a Communist. He was able to come to power as a popular 'liberator,' out to end oppression, to hold free elections, and to do all sorts of good things "for the people." Once in power, Castro tolerated no opposition, held no free elections, and established a police state that made the previous dictators look like amateurs. Anyone who spoke out against what was happening was jailed or executed.

The confiscation of property and nationalization of major business entities have reduced the Cuban population to poverty. The trashed economy of Cuba is widely known. Volumes are written on this example of forced Cuban Socialism. Rather than immigrating there for a better life, the tens of thousands who attempted emigration in little boats and on inner tubes—risking their lives by possible drowning at sea or being shot by Castro's thugs—speak loudly of the failure in Cuba to achieve "heaven on earth" by Socialism.

Example 7 Kim Il-sung's North Korea Kang Chol-Hwang³⁴ exposes the terrible truth about the 'Utopian' country, North Korea, and its cruelly suppressed people in his account, *Aquariums of Pyongyang*. In Kim Il-sung's North Korea is the last Stalinist regime that "incarcerates 150,000 to 200,000 people in concentration camps, flouts freedom of conscience, mercilessly clubs its population with pompous, mendacious propaganda, and is responsible for one of the worst famines of the end of the twentieth century." Kang Chol-Hwang's portrayal of the brutal and murderous prison Camp Yodok in North Korea relates brutality beyond anything a US citizen can imagine or conjecture. He was only an innocent nine years old when he was sent there. The young author's grandmother had migrated from Korea to Japan with her husband but ardently supported the socialists. She and her whole family by propaganda were induced ultimately to return to the country of her projected idealism, North Korea. Kim Il-sung's organized political machine had "the formidable knack for creating associations with the allure of democracy and openness to the general public." The enormous efforts by Kim Il-sung to lure Korean emigrants back to North Korea represented his regime as the "last hope for reunification and the defense of national identity." ³⁵ She and her reluctant but loving husband and family did follow the bait to return, only to lose all their accumulated wealth and belongings to the party and then be incarcerated because of their "contamination" by the hated and "dangerous" Capitalism.

The horrible experiences of the author, Kang Chol-Hwan, and the unbelievable brutality that went on in the Camp Yodoc made it difficult for me to sleep after reading it. He

miraculously escaped after ten years in that prison camp, and then he recounted the awful truth.

Parenthetically, outside attempts to aid the suffering population in North Korea are diverted to maintain the army. In Chol- Hwan's words, "Here is the dilemma one always faces when trying to help a population that has fallen victim to famine-causing political and economic systems: aiding the population also means maintaining the regime." To appreciate the wrenching story one must read the gripping saga, but suffice it here to reiterate the fraud and deception necessary to further the philosophy of unopposed Socialism, which must be perpetuated by coercion.

These examples are just the tip of the proverbial iceberg of insidious socialistic programs past, present, and future. To witness the gradual changing of people's self-reliance today in the great United States by the seduction of collectivist programs is unsettling. For instance, government is moving to establish programs to assist and provide for medical and pharmaceutical availability "for all." Why don't people learn from history? Could it be that accurate history is withheld from them in our public schools?

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- 3 Edward R. Annis, M.D., *Code Blue*, Washington DC: Regnery Press, 1993, pp. 108-111.
- 4 Karl Marx and Frederick Engels, *The Communist Manifesto: A Modern Edition*, London-New York: Verso (Printed by R.R. Donnelly Sons, USA, 1998, pp. 60, 61.
- 5 Constituent email report from California State Assemblyman, Ray Haynes, May 12, 2003, <www.Assemblymember.Haynes@assembly.ca.gov>
- 6 Martin Amis, *Koba, The Dread*, New York: Alfred A. Knopf, Inc., July 2002.
- [Koba, a.k.a. Stalin]
- 7 Ludwig von Mises, *The Anti-Capitalistic Mentality*, New York: D. Van Nostrand Company, Inc., 1956, pp. 11-17.
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- 9 Ludwig von Mises, *Planned Chaos*, Irvington-on-Hudson, New York: The Foundation For Economic Education, Inc., 1947, p. 20.
- 10 David Horowitz, *The Campus Blacklist: An Interim Report*, April 21, 2003, www.townhall.com, p. 2.
- 11 Ludwig von Mises, *Planned Chaos*, Irvington-On-Hudson, NY: The Foundation For Economic Education, p. 30.
- 12 Claudia Rosett, *Wall Street Journal*, Opinion, May 14, 2002, p. A18.
- 13 George Bernard Shaw, *The Intelligent Woman's Guide to Socialism*, New York: Brentano's, 1928, p. 186.

- 14 Karl Marx and Frederick Engels, *The Communist Manifesto*, (A Modern Edition), New York: Verso, 1998, p. 60.
- 15 David Shannon, *Socialist Party of America*, New York: Macmillan, 1955, pp. 55-56.
- 16 Edward R. Annis, M.D., *Code Blue*, Washington DC: Regnery Press, 1993, p. 49.
- 17 Personal letter communication to David L. Wood, M.D., from Edward R. Annis, M.D., dated May 22, 2002.
- 18 David Horowitz, *The Politics of Bad Faith*, New York: The Free Press, 1998, p. 6.
- 19 Clifton Brock, *Americans for Democratic Action*, Washington Public Affairs Press, 1962, pp. v, 49, 69.
- 20 David Horowitz, *The Politics of Bad Faith*, *ibid.*, pp. 7-8.
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- 22 Bernard Goldberg, *Bias, A CBS Insider Exposes How the Media Distort the News*, Washington DC: Regnery Publishing, Inc., 2002; and William McGowan, *Coloring the News: How Crusading for Diversity Has Corrupted American Journalism*, San Francisco: Encounter Books, 2001.
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- 24 Thomas Sowell, *The Vision Of The Anointed*, New York: Basic Books, 1995.
- 25 Ludwig von Mises, *The Anti-Capitalistic Mentality*, *ibid.*, pp. 34-36.
- 26 Peter Brimelow, *The Worm in the Apple: How the Teacher Unions Are Destroying American Education*, New York: HarperCollins Publishers Inc., 2003, pp. 33- 34.
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- 28 A. J. Galambos, *Sic Itur Ad Astra*, San Diego, California: The Universal Scientific Publications Company, Inc., 1999, p. 302.
- 29 Thomas Sowell, *Basic Economics: A Citizen's Guide To The Economy*, New York: Basic Books, 2000, p. 20.
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- 31 Joshua Muravchik, *Heaven On Earth: The Rise And Fall Of Socialism*, San Francisco: Encounter Books, 2002, p.37.

32 Leonard J. Arrington, *Brigham Young: American Moses*, New York: Alfred A. Knopf, Inc., 1985, p. 377.

33 Leonard J. Arrington, *ibid.*, pp. 176-181.

34 Kang Chol-Hwang and Pierre Rigoulot, *Aquariums of Pyongyang: Ten Years In The North Korean Gulag*, New York: Basic Books, 2001, p. xvi.

35 Kang Chol-Hwang and Pierre Rigoulot, *ibid.*, pp. 16, 19.

Chapter 5 – Supervised Capitalism All those evils which the self-styled ‘progressives’ interpret as evidence of the failure of capitalism are the outcome of their allegedly beneficial interference with the market.

-- Ludwig von Mises 1 Government is a bureaucracy. Bureaucratic management is management that is bound to comply with detailed rules and regulations fixed by the authority of a higher-ranking body or leader. It is assigned a budget within which it must work. The need to limit the discretion of subordinates is present in every bureaucratic organization, and government workers are constrained by their assigned regulations put in place by higher-ranking bureaucrats.

Workers must comply with those guidelines without individual innovation or judgment. There is no incentive for improvement.

By contrast, there is little need to limit the discretion of subordinates of business or profit management by regulations other than the imperative underlying all business activities, which is to make their operations profitable. Because the goal of business is to earn a profit, this can be ascertained by accounting methods not only for the whole business concern but also for any of its parts.

In public administration there is no connection between revenue and expenditure. This does not mean that a successful handling of public affairs has no value. It just means that bureaucratic management has no cash value on the market; accounting methods cannot measure its value.

Ludwig von Mises², the great Austrian economist, wrote of bureaucracy, “It is neither good nor bad. It is the way government administration operates.” He explained that “what many people nowadays consider an evil is not bureaucracy as such, but expansion of the sphere in which bureaucratic management is applied.” (Italics mine) Von Mises observed further, “This expansion is the unavoidable consequence of the inherent trend of present-day economic and social policies toward the substitution of government control for private initiative.” He also stated, “This expansion is the unavoidable consequence of the progressive restriction of the individual citizen’s freedom.”³ Adam Smith⁴ wrote, “Every individual in pursuing his or her own good is led, as if by an invisible hand, to achieve the best good for all. Therefore any interference with free competition by government is almost certain to be injurious.” Back in 1776, Smith recognized the negative effect of government interference upon business and the individual.

Central government control is the core of political organization, but it is contrary to free enterprise, and it decreases the incentive to save. This corroborates von Mises’ observation that bureaucratic control is incompatible with free-enterprise management.

Bureaucrats have nothing to do with innovation or development of entrepreneurial creation in business. Gerald Weissman, M.D.⁵ points out, “A cost-driven government program cannot guarantee innovation.” In personal discussions with acquaintances whom I have believed should have understood the free-enterprise system better, I have heard all too often: “Yes, Capitalism is the best system we have, but, of course, it must be controlled.” Further, they insist that, “it must be supervised because capitalism is dominated by greed.” So, I invariably ask, “Supervised or controlled by whom?” “By the government, of course,” comes the answer. If free enterprises are bureaucratically supervised, managed, or regulated by governmental agencies, then control of production is being exercised.

And that is a varying dose of coercion and an advance toward the announced goal of Socialism to control the means of production.

Chalk up another one for public schools! When large industrial complexes or any business entities depend on government protection, support, or favoritism then true capitalism is being suppressed. The consequent adverse results are blamed upon Capitalism as “dishonest,” “greedy,” or “unjust.” Therefore, if they are seen as greedy and uncontrolled, then it seems easy to conclude, “controls are needed.” Nevermind the natural forces of the free market, which actually control the success or failure of any entrepreneurial activity! This is a large part of the very reason for my research and study; namely, to comprehend the correct basis of the system of Capitalism and to define the broad, negative effect of mixing in bureaucratic coercion. Bureaucrats simply do not have a proprietary interest; their excuse for action is to add “needed” control to the system: Do I face a task?

In an earlier chapter, I discussed the gradualism of infiltration of socialistic workings into the democratic governments of both Britain and the United States as promulgated by Sidney Webb and George Bernard Shaw. They believed, and I suspect that many supporters of government intervention still believe, that gradual application of government interference is the best method of achieving full Socialism.

But many interventionists are not full socialists. They hold that the establishment of a mixed economy would “improve” Capitalism by a system of permanent management. They undertake to regulate and restrain free enterprise by government interference with business and by labor unionism. Misunderstanding and miscalculation of true free enterprise are reflected in that erroneous assumption. The tragedy of that idea is that it is so widely accepted.

Whether the perpetrators are succeeding by design or merely by sincere belief in adding intervention does not alter the outcome. Ludwig von Mises⁶ stated, “All methods of interventionism are doomed to failure.” As far back as 1947, von Mises⁷ wrote, “Capitalism is the economic system for modern Western civilization.” Yet he said, “The policies of all the Western nations are guided by utterly anticapitalistic ideas.” This amounts to an initiation of a so-called ‘mixed’ economy. Collectivists claim that this partial or supervised capitalistic system should stand midway between Capitalism and Socialism and thus should retain the ‘advantages’ of both. It does not.

It appears that the aim of the gradual infiltration of the US education system and the achievement of transforming the spirit of individualism and Capitalism has made

unprecedented headway, judging by the deliberate changes taught in the public schools away from the actual history of the successful system of Capitalism and the understanding of individuality. Who could have predicted that the 'relativism' of morals and rewritten history now propagated by 'liberals' and their influence in our schools could have such far-reaching and negative effects upon the policymaking of those now in big government or upon the perception of so many citizens?

The 'necessity' of government to solve social problems is behind the social changes that were made during the 1960s. This brings up a seemingly peripheral question, "Should Congress have the extended power to force people to do what's in their own welfare and health interests?" Prof. Walter Williams⁸ reports that he is afraid that most Americans indeed do believe that government should be able to force people to do what the government directs in their health and welfare interests. However, he eloquently makes the argument that there is absolutely no moral case for government's taking American's earnings, through taxes, to care for others for any reason whatsoever. Further he said, "This is a problem for Socialism." Remember, Socialism is the system of centrally controlling all aspects of citizens' lives and productivity.

And ruefully, this country is approaching those very ends.

A first-rate example of this government-knows-best mentality for people's health is the present blatant attempt by some in government to dictate how much and what type of food is best for people to be trim and healthy. They state that too many adults and children are obese, so therefore (with the help of unscrupulous lawyers and judges), fast-food companies, soda manufacturers, candy makers "must be regulated." Who says that any government agency may tell any American citizen what and how much he or she may ingest? Eating is an individual decision. Still, many in government seem encouraged that they can get away with attacking legitimate fast-food companies following their successful attack on the tobacco and asbestos industries. The tobacco, asbestos, and fast-food companies are all legitimate free-enterprise businesses. They did not and do not force anyone to use their products. Yet the government is free to attack and to coerce people to fit a behavior dictated by its 'liberal' interpretations or the portrayals of some vociferous, peripheral interest groups.

A ludicrous lawsuit against Nabisco Company's Oreo Cookies because they contain the 'harmful' trans-fatty acids was correctly thrown out of court in May 2003. But legitimately, one may ask, what of "hot" coffee at McDonalds?

Interventionism and Socialism A comparison of interventionism and Socialism is important at this point. The system of government intervention is the hampered market or just plain interference. Government 'enterprise' differs from Socialism by the fact that some of its activity still operates in the market economy. Publicly owned "businesses" must buy raw materials and semi-finished products, so that their purchasing must fit into the mechanism of the market. They strive to avoid losses, but they are still dependent on the law of the market. A good example is the production of work shoes, T-shirts, and cotton-weaving materials in State prisons. Acquisition of the raw materials is still subject to market laws, and the market (not the tax collector) decides those costs. The purchase of governmentmade products is on the market, but purchase of State license plates manufactured in those prisons is compulsory.

When taxes are used to cover losses in government industries, then the consumers are further burdened for the extra cost. In those cases, not only must the consumers pay for products and services produced by the government, they must also pay the added-on losses accrued by that non-entrepreneurial activity. This adversely affects those purchasing the products not the government.

In other words the consumers are paying more than just the market price of those products; they are also paying for the ineptitude of the government managers who essentially do not take the consequences for their losses. The law of the market nonetheless operates in such undertakings.

Entrepreneurs, on the other hand, must take the consequences for their losses; they can even go out of business. The interference by government subverts the operation of the capitalist system of market economy, and it demonstrates the futility of interventionism.

However, it must be emphasized that the failure of political intervention in the market does not demonstrate the necessity of adopting Socialism.

Increasing political interference in the profession of medicine, for instance, is only increasing the cost of the failure of trying by central control to care for everyone's medical needs. This is, of course, entirely contrary to the stated goal of government managements, which is "to keep healthcare costs from increasing out of control."⁹ But what is the real experience?

I have found no reference that reports any reduction of costs in programs that political managements sponsored, started, or ran by the approaches of federal government (or State governments for that matter). What I logically fear is that the federal government's enactment of Medicare and Medicaid thirty-eight years ago and its congressional starting and subsidizing the early Health Maintenance Organizations (HMOs), which are failing with serious consequences, will nonetheless give justification to those 'liberal' types to push for government to ride in to "solve" the mess by taking over with a form of nationalized (socialized) medicine.

That would be a monumental mistake.

Yet, that is the very idea now proposed by Senator Richard Gephardt, an early-announced Democratic candidate for President in the 2004 election campaign. Such an action would compound the present problem to such a degree that even the present inefficient Veterans Administration hospital system would look good.¹⁰ Fortunately, the citizens of the State of Oregon overwhelmingly rejected a November 2002 ballot issue to establish the first universal health care program ever put before American voters. Remember also the failed Hillary Clinton proposal for such nationalization of Health Care in 1993. That failure did not dampen Hillary's intent on further pressing for an acceptance of her "Universal Health Care" program.

The push to try to establish universal health care is only part of the present dilemma for the medical profession. Anne Summers, M.D.,¹¹ recently wrote, "The best and brightest and busiest doctors are being forced out of practice, and out of state." She pointed out that malpractice insurance rates are staggering in West Virginia, Pennsylvania, and New Jersey, and new doctors refuse to move there. Whereas last year in New Jersey there were

82 neurosurgeons, this year there are only 62, and 25 percent of all obstetricians in the State stopped delivering babies altogether.

Dr. Summers' solution: "Tell your state legislators to pass tort reform in your own state." To understand how Socialism can work by masquerading as Capitalism, one can refer to the Nazi Germany compulsory economy (Zwangswirtschaft) during the Hitler regime before and during World War II. It used the words: "private ownership of the means of production," "entrepreneurship," and "market exchange." The so-called 'entrepreneurs' did the buying and selling, paid the workers, contracted debts and paid interest. However, they were no longer true entrepreneurs, because there was no risk taking or individual decision making. They were even renamed and given the title "works manager" (Betriebsführer). It was the government that told them what and how to produce (and how much), at what prices and from whom to buy, at what wages laborers should work, and to whom and under what terms the 'capitalists' should entrust their funds. "Market exchange" was a sham, because the central authority fixed all wages, prices, and interest rates. They were prices, wages, and interest rates in name only. Factually, those free-enterprise terms were just quantitative names in the authoritarian orders that determined each citizen's income, consumption, and standard of living. This made the citizens nothing but civil servants who had no say in their economy.

With only the outward appearance of Capitalism, that was central control of the means of production; it was Socialism.¹² Remember, in a free-market economy, the consumer is the boss by freely deciding what he wants and what he is willing to pay and then buying the product he desires. The entrepreneur-producer is successful by producing the best product at the best price. No political control can replicate that efficiency or individual decision-making. This cannot be emphasized too often.

Another "issue" of today's Democrats' recent criticisms is to factor the recent accounting discrepancies of a few very large corporations and their ultimate bankruptcies as somehow being linked to the Republicans and particularly President Bush and Vice-President Dick Cheney.* Actually, the accounting systems that had been developed were in part a response to the complicated and oppressive legal rules and tax laws. Functional outlawing of hostile takeovers through political action and 'creative' lawyers has reduced entrepreneurial risk-taking and dynamic management to the point of reducing responsibility to share holders of all too many companies.

Maybe the government's accounting system should be scrutinized to discover the unaccounted-for billions of dollars "lost" in the Education, the welfare, and the military departments. Doug Bandow¹³ provided some interesting figures. In Washington D.C. in February 2002, the Office of Management and Budget (OMB) announced that 2002's deficit would run to \$106 billion, but five months later it revised its estimate to \$165 billion. Last year, the General Accounting Office (GAO) found \$17.3 billion in "unreconciled transactions," that is, cash had simply disappeared. It is very difficult to generate confidence in such inaccuracy and unaccountability.

Money accumulated but not paid out in dividends is then available to large business managers to acquire other business entities.

This was not always bad. The history of early hostile takeovers shows that most of them were profitable in the sense that they resulted in increased share values for the two companies combined.

Still, boards of directors, executives, unions, and many others in the companies taken over through hostile bids, do not like what happens to them in the aftermath of those takeovers.

They often lose their jobs and prestige. So it is understandable * that they would be among those demanding more regulation from the government. Government usually does respond eagerly to such demands—with more regulation.

Acquisitions and takeovers have been the subject of criticisms of big business recently, with Enron as the first and probably the largest of bankrupt entities that showed “greed,” fraud, and huge payments and stock options given to CEOs just prior to their collapse. Originally, bonus payments and stock options were designed to reward high performance. Yet, in spite of mismanagement, those incentives often were still paid, even though the companies faced bankruptcy, like Enron. Admittedly that was a distortion of the original intent of options, but a closer look shows that government regulations are not as innocuous as once assumed.

Congress passed the Williams Act of 1968 that required the notification of the Securities and Exchange Commission of the intent of hostile takeovers and made it more difficult to carry them out successfully. On top of that, many State regulators have allowed managers of targeted firms to delay or prevent takeovers, and the regulators made the takeovers more difficult in spite of the natural market forces fully capable of handling the transactions without disinterested and politically motivated interference. Several analysts have concluded that the recent rash of corporate scandals can be attributed directly to the State and Federal legislation designed to make natural business acquisitions more difficult.

Government regulation in effect has fostered this so-called ‘greed.’ This discussion of government regulation of hostile takeovers is based on the Op-Ed opinion of Herbert Grubel.¹⁴ Herbert Grubel is a professor of economics at Simon Fraser University in Vancouver, BC, Canada, and his above assessment is very instructive.

Such unintended consequences, as just related, sound awfully close to the effects of the government subsidies on steam shipping and railroad development (to follow shortly).

There are two kinds of answers for these alleged “market failures.” One is government regulation, which originates from politicians, government regulators, and from those in academia plus the ‘liberal’ media who are antagonistic to the system of Capitalism.

They insist that government step in and ‘regulate.’ The second is from the group of people that believes that Adam Smith was correct, that, “the invisible hand of competition constrains selfish behavior and channels it into the service of the common good.” (Italics mine) President Bush in mid summer 2002 created the Corporate Fraud Task Force (CFTF) to oversee a comprehensive law enforcement response to the many frauds at major corporations that shook our markets. Deputy Attorney General, Larry D. Thompson,¹⁵ is chairman of the CFTF, and he said: The criminal law sets a standard whose transgression is, and ought to be, swift and decisive. Vigorous criminal

enforcement aimed at both bad corporate executives and corporations is not only harmonious with, but also mandatory for, the country's economic vitality. A strong regime of criminal enforcement leaves honest business people free to compete, while preventing a few bad apples from spoiling the barrel.

It is not so widely known that markets actually work to prevent greed in the form of excessive compensation, bonuses, stock options, insider trading, and cheating in accounting. Today, there are numerous financial specialists and competitors in the industry who make a living by watching public corporations and noticing when such practices reduce the value of the offending companies' shares.

A discussion of examples of the effects of government interference in large business is now timely.

Misinformation and Misunderstanding of Early Large Business In its attempt to support the socialist philosophy by deploring Capitalism, the Left has pointed to the huge corporate monolithic business entities of the mid to late 1800s as examples of the 'inequities' and 'injustices' of capitalism. Looking only at size, perhaps one might be tempted to wonder about the huge conglomerates, particularly if one heard only the complaining harangues of those wanting to divide, politically control, or willfully dismantle such entities, as do politicians and socialists.

It is true for instance, that large grocery chains did affect small local grocery stores and drive most to non-survival. Yet, they certainly did so principally by reducing prices and offering greater varieties of goods for the consumers.

On closer examination of the huge industrial revolution in the U.S., one finds a very different story of entrepreneurial ingenuity and aptitude, which benefited the whole population. It is history that some business entities were indeed conniving and dishonest, but with closer scrutiny those were usually subsidized by government and inescapably suffered consequences. Recorded history relates too little of those episodes. Cronyism was the problem then, and it is still a problem now. It is the substitute of influence and corruption for innovation and competition. Free markets remain free only if the greatest number of people possible is free to enter and leave them. Still, there are always those who try to erect barriers to competition.

Much has been alleged of the so-called "Robber Barons" of the 1800s. One often hears: "They robbed; they cheated; they exploited Chinese coolies." In short, "they were all that is wrong with capitalism." So go some of the worn denunciations.

There is a more accurate history, and interestingly it relates right back to government intervention and the exploitations of it by some unscrupulous but clever businessmen. The real effects of the government subsidies constitute the accurate story of these alleged 'Capitalism abuses.' Historically, the expression robber baron was used to describe a landholder who robbed travelers passing through his lands. It came into usage in the United States during 1870-75, being applied to "a ruthlessly powerful U.S. capitalist or industrialist of the late 19th century considered to have become wealthy by exploiting natural resources, corrupting legislators, or other unethical means."¹⁶ Matthew Josephson¹⁷ in 1934 popularized the term "robber-barons" in his writing. When the true

story is unfolded, we can recognize that this two-word term, for the most part, has been erroneously employed colloquially.

The importance of studying history is to learn from it. Studying the rise of big business, between 1840 and 1920, is the story of how the United States prospered and became a world power. The story is more than a story of simple growth because there is much written about the negative effects of “big” business. However, growth would probably have occurred more rapidly and been much larger had government subsidies not been granted. Large business in bed with politics is not true Capitalism.

Government Subsidies and Steamships Let us start with the story of the application of the steam engine to boats and shipping. The history of mechanized shipping is fascinating because of the major differences between private enterprise and government-subsidized business entities. In recounting this history, certain definitions bring clarity to the difference between those two approaches to this era of shipping. Several men wanted to capitalize on the early development of steam engines applied to boats. Some wanted to be subsidized by government, but others chose to take risks and apply engine power to boating enterprise by free-market methods.

Burton W. Folsom, Jr., wrote, “Those who tried to succeed in steamboating primarily through federal aid, pools, vote buying, or stock speculation we will classify as “political” entrepreneurs.

Those who tried to succeed in steamboating primarily by creating and marketing a superior product at a low cost* we will classify as “market” entrepreneurs.¹⁸ (Italics mine) Folsom’s clarification is a good demonstration of accurate definitions.

Robert Fulton was the first American to build a steamboat, and he operated it on the Hudson River in 1807. He was one of the first political entrepreneurs. The New York legislature gave him * This concept is characteristic of free entrepreneurial activity.

the privilege of carrying all steamboat traffic in New York to extend for thirty years. But in 1817, Thomas Gibbons hired Cornelius Vanderbilt to run steamboats between New York City and Elizabeth, New Jersey for less than the monopoly rates. Gibbons brought suit against the Fulton monopoly, and in 1824 the Supreme Court struck down that monopoly in *Gibbons v. Ogden*.

Chief Justice John Marshall ruled that only the federal government could regulate interstate commerce. Given the time of the case, it likely helped establish the precedent for federal regulation of interstate commerce.

In the year following the Supreme Court ruling, on the Ohio River alone, steamboat traffic doubled and then quadrupled in the year after that. Vanderbilt utilized more powerful engines and improved boat design and used them efficiently to lower costs and fares. Fulton’s group could not meet the new rates and went bankrupt. Chalk one up for unsubsidized private enterprise.

Vanderbilt bought two boats and challenged the Hudson River Steamboat Association with lower fares. He lowered them to no fare, relying on at least \$2.00 food sales per passenger. In exasperation, the H.R.S. Association bought him out.

Technology changed steamboats into steamships in the 1840s.

Samuel Cunard, one of England's first internationally known political entrepreneurs, in 1838 convinced the English government to give him \$275,000 a year to run mail and passenger services twice a month across the Atlantic Ocean.

At the same time, such tactics were being used for federal aid on the US side of the Atlantic. One of the most notable political entrepreneurs was Edward K. Collins who successfully convinced the government to give him \$3,000,000 down and \$350,000 per year to build five ships and beat the "Cunarders." Collins did beat the Cunard ships across the ocean, but his costs were high and his economic benefits nonexistent. In fact, in 1852 his yearly expenses doubled, yet he had no incentive to reduce his costs.

In hindsight one can note that mail subsidies actually retarded progress and innovation. In England in the 1840s, several steamship companies experimented with iron hulls and screw propellers, but Cunard thwarted them whenever he could and continued to use wooden hulls and sidewheelers.

In the U.S., Collins, like Cunard, chose wooden hulls and paddle wheels for his ships. Americans were slower to turn to iron ships because their costs of construction were higher. In spite of that, some American engineers also had been experimenting with iron hulls and screw propellers in order to handle the bigger engines built after 1840.

In 1855, Vanderbilt decided to challenge Collins by offering to deliver the mail for less than Cunard's fees and less than half of Collins' charges. The first round of battle Collins took to Congress.

That body supported Collins because not to back him would mean the government had made a mistake in helping him in the first place. That might call into question all federal aid. Oh?

Vanderbilt's comment from back then is just as timely today, "Private enterprise may be driven from any of the legitimate channels of commerce by means of bounties." He added that such aid was "inconsistent with the . . . economy and prudence essential to the successful management of any private enterprise." 19 By spending \$600,000 to build a new steamship with an iron hull using a new and more powerful beam engine to drive the propeller, compared to the traditional side-lever engine that drives the paddle, Vanderbilt introduced a more substantial and reliable ship. He then made up for the subsidies to Collins by taking a large number of lower-fare passengers across the ocean in a shorter time. Still the first year was close economically, but when two of Collins' poorly-built ships sank, Louisiana Senator Judah P. Benjamin* was disgusted, and several of his fellow Senators agreed that the Collins line had been "most miserably managed." The government aid was withdrawn, and Collins shortly thereafter went bankrupt.

* Judah P. Benjamin later became the Secretary of War of the Confederate States of America during the Civil War.

When the Civil War began, Vanderbilt donated his iron-hulled 5,000-ton ship to the Union. He offered personally to sink the Confederate Merrimac but did not get the chance.

As an interesting side note, a new unsubsidized William Inman Line in the mid-1850s did to Cunard in England what Vanderbilt was doing to Collins in the United States. Inman

had gone to iron hulls and screw propellers. Thus, before the Civil War it was Vanderbilt and Inman who led the US and England in cheap mail and passenger service.

Earlier, once the principle of mail subsidy was established, others argued for taking the mail to other places. Two subsidized lines, the U.S. Mail Steamship Company and the Pacific Mail Steamship Company, in 1849 received \$500,000 a year to take mail from the east coast to the west coast by portaging across Panama by rail.

Vanderbilt chose not to challenge the subsidized lines through Panama. Instead, he took a year to deepen the San Juan River in Nicaragua and thus made a canal, creating a course 500 miles shorter than the Panama route. He cut the California fare from \$600 charged by the subsidized lines to \$150 and carried the mail free.

When a political upheaval in Nicaragua caused the destruction of the Nicaraguan canal, Vanderbilt put his ships back to the Panama route. The two government-subsidized California lines bought him out, paying him 75 percent of their new \$900,000 government subsidy for his promise not to run any ships to California.

They did not want to compete with a true market entrepreneur.

What does this tell us about the whole system of subsidies?

When Georgia's Senator, Robert Toombs, heard about that use of the subsidies, he concluded that Congress should "end the mail subsidies," but a court chose to perceive what Vanderbilt did as "immoral and in restraint of trade." The court could not admit that Vanderbilt's only offense was his private entrepreneurial market activity. Essentially, his success was criticized for operating within free-market parameters. He had run his California lines as a personal investment and charged passengers less than one fourth the fare that the political entrepreneurs had been charging; still, he had to endure the court's enmity. Yet, largely because of Vanderbilt, Congress did terminate all mail subsidies in 1858.

Vanderbilt's business entities also established the permanent lower fare of \$200 to California, down from the previous monopoly rate of \$600. And he rose above the court's bias.

After the Civil War, Cornelius Vanderbilt took his steamship profits and built the New York Central Railroad enterprise, which connected the east coast with Chicago and other Midwest cities.

He carried midwestern grain to the east coast and shipped it on English ships to be sold in Liverpool.

When he died in 1877, he was the richest man in America. His story is long and interesting, and he did all of it without government subsidy and direction.

The market entrepreneurs were the innovators and rate-cutters.

The government-supported business operators were against innovators, technology, and price-cutting. The political entrepreneurs favored subsidized monopolies and federal aid, and in the steamship industry their actions led to price-fixing, technological stagnation, and the bribing of competitors and politicians. It appears that federal aid was a curse, not

a blessing. In almost every instance of government-subsidy, the subsidized businesses ultimately failed.

Government Subsidies and Railroads I discussed in the last section the comparison of entrepreneurial with government-subsidized business actions in the development of powered shipping. In this section, I'll present the comparison of political and market entrepreneurs as applied to railroad building and growth.

Four railroads received charters and subsidies to build crosscountry lines. Getting their hands on federal subsidies is the main explanation for corruption, inefficiency, and real greed of the early men in transcontinental and California railroading. Historian, John Garraty²⁰ wrote, "Unless the government had been willing to build the transcontinental lines itself, some system of subsidy was essential." Several historians have written the same opinion. However, the evidence does not support that conclusion.

A major exception to the subsidized railroad men was James J.

Hill who built a transcontinental line from St. Paul to Seattle without any federal aid. His was the best built, the most popular, and the most successful railroad. His Great Northern never went bankrupt. Because of Hill's success, President Theodore Roosevelt in 1905 sent John Stevens, Hill's chief railroad-construction engineer, to head the building of the Panama Canal.²¹ There is more on J. J. Hill later.

The Pacific Railroad Act of 1862 led to the creation of the Union Pacific (UP), west from Omaha, Neb., and the Central Pacific (CP), east from Sacramento, Calif. The political incentive was for speed, not efficiency. Being paid by the mile and receiving free land per mile led to the building of winding roads for more mileage.

Cheap wood ties and cheap light rails resulted in frequent breakdowns and costly repairs later. The UP line under Thomas Durant went so far as to lay track on the ice and snow for speed in building. Of course, that track had to be rebuilt in the spring.

There are many stories of trouble with Indians on unsettled land with much loss of life. History records fierce competition between the UP and CP that led also to loss of life and materials.

Nonetheless, there was just too much shoddy planning and building.

Because of the unnecessary high costs, by 1874 Congress passed the Thurman Law, which forced the line to pay 25 percent of its net earnings each year into a sinking fund to retire its federal debt. Author, Burton W. Folsom, Jr.,²² reported, "The subsidies bred inefficiency; the inefficiency created consumer wrath; the consumer wrath led to government regulation; and the regulation closed UP's options and helped lead to bankruptcy." The UP was begun and grew on federal aid, but it then had to endure federal supervision and regulation. It is necessary to point out that there was so much waste, inefficiency, and government regulation that the UP line ultimately went bankrupt in 1893.

The Central Pacific line did better in California because of its leaders—Leland Stanford, Collis Huntington, Charles Crocker, and Mark Hopkins. Stanford was elected Governor of California and later U.S. Senator. He controlled politics for the "Big Four," and thus was able to prevent any competing railroad from entering California. The four became

immensely wealthy through their Contract and Finance Company, but when the time came to investigate them, their records were “accidentally” destroyed.

The Northern Pacific (NP) is another story of the rush for subsidies and the history of not just one bankruptcy but three. After its first failure, Henry Villard purchased the line in 1881. He was more interested in creating tourism and immigration than in running a profitable business. He built when construction costs were high, and that translated into high rates that discouraged freight and immigrants from traveling on the NP. It went bankrupt in 1888. Although many investors lost everything, Villard retained most of his interest. He bought the line again, but his ‘charm’ ran out, and it went bankrupt again in 1893.

The successful and exciting story of James J. Hill is the story of sound and honest business practices to construct the transcontinental Great Northern Railroad (GNR) from St. Paul to the Pacific Northwest. He believed first in building the most efficient line possible. Second, he used this line to promote exports from the sections he developed. Third, he expanded only as profits allowed, so that he did not overextend. He built the line without any government aid through hundreds of miles of public lands and paid for it in cash.

Hill also enjoyed the advantage of building the line as he saw fit, and he always built slowly, built spur lines as he went, and developed the exports of the area before he moved farther west. The subsidized lines could not do all that.

The export in the Great Plains was wheat, and Hill promoted dry farming* to increase yields. He imported 7,000 cattle from England and dispersed them, free of charge, to settlers near his lines.

He knew that if farmers prospered, they would create freight and revenues to his line steadily each year. To insure their prosperity, he set up his own experimental farms to test new seed, livestock, and equipment. He also promoted crop rotation, mixed farming, and the use of fertilizers.

He spent a great deal of money for steel rails, ballasting track, transfer yards, terminal facilities, new equipment, and new shops, and put the road in better condition than any other railway similarly situated. Subsequently, he had lower fixed costs than his subsidized competitors. He said, “What we want is the best possible line, shortest distance, lowest grades and least curvature that we can build.” Hill’s specially hired man found the for-a-shorttime lost Marias Pass, described originally in 1805 by Lewis and Clark, and Hill’s resulting lower-lying route shortened the course by almost one hundred miles.

Another savings came with coal. Villard’s coal came from Indiana, but Hill obtained his from Iowa and saved \$2.00 a ton. Hill used lower rail gradients to traverse the route to the Northwest and thus saved fuel and had far fewer repairs.

Villard could not compete, so he resorted to political obstruction to restrict James Hill. Villard’s Northern Pacific, and the UP tried to block Congress from granting Hill the right-of-way through Indian reservations in North Dakota and Montana. Congress responded by stalling grants, and as the result of consumer complaints about the rate hikes of the subsidized lines, Congress created the Interstate Commerce Commission

(ICC) in 1887. This commission would proceed to make it illegal to give discounts and adjust rates to meet competition.

* Dry farming or dry-land farming is a mode of farming, practiced in regions of slight or insufficient rainfall that relies mainly on tillage methods rendering the soil more receptive of moisture and on the selection of suitable crops.

Hill's lower rates had allowed the United States to capture a larger share of overseas trade. In fact, it was Hill who invested six million dollars into his Great Northern Steamship Company. He shuttled two steamships between Seattle, Yokohama, and Hong Kong where he sold not only wheat but also Southern cotton and New England textiles. The American exports jumped from \$7.7 million to \$51 million in nine years under Hill's direction.

Hill also helped start Japan's railroad boom around 1900 by transporting Pittsburgh rails for \$1.50 per ton less than the Belgian and English rails and secured an early order for 15,000 tons.

He also marketed copper from Montana, apples from Washington, and wheat from the plains. Selling 900,000 acres of Western timberland to Frederick Weyerhaeuser at \$6.00 per acre, Hill could cut the freight costs for timber from ninety to forty cents per hundred pounds. Together, Hill and Weyerhaeuser captured some of the midwestern lumber market, and they both prospered along with the Midwestern and Pacific Northwestern lumber companies.

In spite of Hill's continued ability to cut rates through efficiency, the federal government passed the Sherman Anti-trust Act to protest rate hikes and monopolies of railroads in general as a response to public clamor. Sadly, laws that were passed to thwart monopolists were also applied to thwart Hill. The Hepburn Act in 1906 went further, making it illegal for railroads to charge different rates to different customers. Hill asserted "Rates vary with conditions," but he was unsuccessful before Congress.

Due to a Supreme Court ruling in 1904, which essentially held that "the mere existence" of a large corporation was seen as a threat to trade and therefore unlawful, Hill had to dissolve his Northern Securities Company. This company had been formed to consolidate three of his other companies to prevent stock manipulation on Wall Street, but now it had to be dismantled. Between 1905 and 1907, American exports to Japan and China dropped 40 percent. It can never be known how much trade was lost, both foreign and domestic. This loss was just another unanticipated, but huge, consequence of government's 'all-knowing' management and fiddling with efficient production.

James J. Hill predicted that the ICC and the Sherman Act would ruin American railroads and threaten cheap trade throughout the nation. It is hard not to view him as the real hero in the development of the American transcontinental railroads. He was instrumental in opening the Northwest to settlement and the Orient to American trade, and he did it without help or subsidies from the government.

The foregoing story of the American transcontinental railroads is based upon Chapter Two of the book written by Burton W. Folsom, Jr.²³ When new industries start, there are poorly capitalized competitors that all urgently try to achieve the industry standard that allows them to dictate product and process innovations. Once one firm grabs the industry

standard there is a drive to lower the marginal costs of production so that profits can rise. Two good examples today are Microsoft and Intel, both of which created the standards in their industries.

Process (technology) and knowledge innovations drive firms down the learning curve. At the same time, the more efficient firms try to take market share from their rivals, and they do this with price wars and product quality improvements to build brand loyalty.

Eventually the industry settles down to a reasonable number of competitors (minimal excess capacity) where all achieve profitability, at least until a new industry comes along.

Firms compete, industries compete, and countries compete. In Capitalism, they all compete.

Cutting Taxes to Raise Revenue (Andrew Mellon and the 1920s) The Left consistently ignores one of the most glaring lessons of history. Specifically, that lesson is that the less the people are taxed, the more the economy grows. Stated in a different way, the more money people earn that they can retain, the more they can (and will) spend. Translated, this means, the more people will participate in the purchase of goods, services and investments. This works every time and demonstrates thereby how the whole economy can expand. The 'liberals' baleful but repetitive denunciatory charge against tax reductions, regardless of how many people benefit, is that they are "tax cuts for the rich." The Left's continual attempts to increase taxation and their repetitive denunciation of cuts would border on the boring if high taxes did not so restrain the economy.

The Laffer curve (1975-80) postulated a relationship between tax rates and tax receipts, indicating that rates above a certain level actually produce less revenue because they discourage taxable endeavors and vice versa. It was part of the basis for the Reagan tax cuts of the 1980s. As marginal tax rates fell, tax revenues rose.

The ensuing economic boom would have been even more dramatic if Congress at that time had shown some spending restraint.

The very fascinating and interesting story of Andrew Mellon is most illustrative about the effects of tax policies. Taxes during and following World War I were very high. Mellon was chosen by President Wilson to be the Secretary of the Treasury, and served also under Presidents Harding and Coolidge. In the 1920s, Mellon was very well known in America because he was instrumental in reducing all brackets of taxation as well as the corporate taxes.

During the 1920s the economy expanded, all levels of earning increased, but Mellon's detractors insisted he did what he did "only for the rich." Sound familiar? I guess the 'recording disc' got cracked, and the verbal onslaught has kept repeating itself, and today the Democrat verbal onslaught continues with "tax cuts benefit the rich," and "the rich must pay their fair share." The record shows how all citizens benefited from Mellon's tax cuts, regardless of their tax bracket. Those earning under \$4000 per year had their rate reduced to 1/2 percent from 4 percent.

Those in the \$4000 to \$8000 bracket had theirs cut from 8 percent to 2 percent. Taxes on the top incomes dropped from 73 percent to 24 percent. The most startling statistic was the increase in government income-tax receipts. In 1921, \$719 million were collected

when the tax rates were so much higher. By 1929, the receipts were over \$1 billion per year. As to be expected, editors, economists, and politicians were astonished.

By 1962, Walter Heller, Chairman of the Council of Economic Advisers convinced President John F. Kennedy that the progressive nature of the federal tax system would have the effect of moving the federal budget first into balance and then into an actual surplus. Heller's premise laid the groundwork for the current perception that Congress lays claim to all income generated by the private sector for the government. Then, after that in their great generosity and wisdom our honorable representatives decide how much to let us keep.

The records of 1929 show that the upper three to five percent of the higher income brackets paid the overwhelmingly major part of the tax burden. In that year the government revenues increased after Congress's passage of Mellon's tax cuts, but those in the \$100,000 bracket still paid 65 percent of the income taxes, compared to the 1.3 percent of the total paid by those under \$10,000. Mellon observed accurately that taxing the high incomes between 73 and 90 percent drove those upper income bracket monies into non-taxed municipal bonds and out of the investment pool, thus leaving many developing industries (and many established ones) "gasping" for necessary investments in order to grow.

Such high taxes hurt the economy, and the very politicians who push for more funds to support their social goals are left wanting for collections of revenue, which derive from business and consumer activity. Mellon knew that as long as taxes were high, investors would find some way to evade them.²⁴ Oh, the simplicity of it all! Monies that could have been used to expand the private economy (and thus increase the tax revenues) ended up in taxexempt municipal bonds, and many sports stadiums were built with municipal bonds in the 1920s. Isn't history interesting?

Today, the tax figures regarding the percentages of the taxes paid by the upper and lower tax brackets are similar to the ones in 1929. During the 1980s, total tax revenues climbed 99.4 percent because in January 1983, the economy received the large tax cut pushed by President Ronald W. Reagan, and the government revenues from the personal income tax climbed by more than 54 percent by 1989. During the eight years of Reagan's presidency, the large deficits attributed to him really resulted from Congress's passage of yearly budgets much higher than the ones he submitted.

Had his budgets passed, the federal spending would have been 25 percent less.²⁵

Conservatism To begin a discussion of a concept about which most people believe they have understanding, it is logical to start with a dictionary definition that can be regarded as standard. Random House Webster's 2001 Unabridged Dictionary, p. 433, defines 'conserve': "1. to prevent injury, decay, waste, or loss of. 2. to use or manage wisely; preserve; save." (Italics mine) Continuing with the same dictionary, the word 'conservative' has multiple uses, but the ones that relate to this subject are: "...1. is disposed to preserve existing conditions, institutions, etc., or to restore traditional ones, and to limit change.4. (Often cap.) of or pertaining to the Conservative party.8. a person who is conservative in principles, actions, habits, etc.9. a supporter of conservative political policies." In other words, conservatism is the tendency to preserve what has been established.

Andrew J. Galambos²⁶ was an astrophysicist who sought to bring clarity to the term 'conservatism' being so loosely used in the arena of politics in 1964. In order to clarify his concepts of Capitalism and conservatism at that time, he wrote a brochure titled, "Conservatism is Not Capitalism – Capitalism is Not Conservatism." Galambos makes some clear distinctions about the near universal confusion between the two concepts. That confusion is also a great danger to the development of a free capitalist civilization because they are two different things.

Conservatism is dependent upon time, place, and circumstance.

To be a conservative in the mid-twentieth century America was not the same as to be a conservative in mid-twentieth century Russia or even one in late eighteenth century America. The first wished to preserve the US Republic as established in the late eighteenth century America. The second wished to preserve Marxism-Leninism. The third wished to preserve the English monarchy. The present American conservative's goal is to preserve the Republic that displaced the English monarchy.

Galambos also pointed out that only in the United States is it possible to associate conservatism with Capitalism because "Nowhere else is there anything worth preserving in terms of a capitalist heritage." Capitalism is an absolute concept. It requires new ideas to bring it into existence, and it requires the constant search for new ideas, new theories and new applications, and therefore requires forward thinking and increased individual freedom. It demands liberation from political interferences with and controls on property. True Capitalism is the societal structure that produces freedom by ensuring that each individual is in full control of his own property. All perceptions of capitalism held by most Americans are shaped by the present printed media and other media's 15-second news bites, but these factoids are so superficial and slogan-driven that no American will ever learn thereby to make the finer economic distinctions.

Why has so much of the original American Republic been lost that the conservatives wish to restore it? In the words of Galambos, "We lost it through political action based upon majority rule whereby a small minority of politicians accumulated power by pretending 'to promote the general welfare' by offering the people en masse gratuities and doles." In attempting to deliver on their promises, the politicians have had to seize more and more of the property of the people. Galambos stated further, "The people wishing something for nothing, end up with nothing for something (something seized)." A true capitalist does not seek to emulate the past. He studies the past to find out what progress was accomplished and what errors were made. He strives to avoid making the same errors as were made in the past in order to progress and continue to improve.

The conservative, by political means, gradually becomes indistinguishable from his collectivist opponent. He seeks the same state authority and the same apparatus of coercion believing that he can run it more justly and efficiently. Conservatism is concerned with codifying past controls of property.

Capitalism is not a political concept. Capitalism is concerned with the creation of property, the improvement of property, the protection of property, and the moral utilization of property. It is the vehicle of progress and the builder of civilization through the sanctity of property.

A. J. Galambos emphatically iterates, “Freedom is man’s loftiest goal, and is the prerequisite for all his other permanent goals.

And, when it is finally achieved, freedom is forever.” This expansive view of Galambos certainly clarifies and gives greater dimension to an understanding of the non-political and inspiring concepts of full Capitalism.

Credit for starting the so-called conservative party (conservative movement) of today belongs to Senator Barry Goldwater in the early 1960s. He gave life and meaning to the growing opposition to the ‘liberal’ push to expand “big government.” In 1964, Phyllis Schlafly wrote the book, *A Choice, Not An Echo*, which sold three million copies and is credited with winning the Republican nomination for Goldwater. He, of course, favored minimal government as originally envisioned by the founding fathers, but he could not overcome the AFL-CIO funded campaign of Walter Reuther to elect a democrat-majority Congress. Goldwater lost heavily to the ultra-‘liberal’ (socialist) Lyndon B. Johnson in the 1964 Presidential election, but nonetheless he started the groundswell of those who believe in the merits of the Constitution as written and who believe in opposing the perverse agenda of the ‘liberals.’ The concepts espoused now by the conservatives have the progress of the country and individual activity as their goal, but they are often attacked and falsely accused of being detrimental by the so-called “class-envy” assault. For instance, the ‘liberals’ insist that the conservatives favor “the rich” who got rich by “robbing,” “cheating,” or “taking advantage of ‘the poor.’” This is an all-too-frequent mantra of the socialists. As an example, to justify the ‘liberal’s push to raise the rates of the higher tax brackets, they demand that “the rich” pay their “fair share” of the tax burden.

That so-called ‘fair share’ translates ultimately into confiscation, but the poverty-level ‘poor’ pay no income tax at all.

In 1975, Congress approved the Earned Income Tax Credit (EITC) originally to offset the burden of social security taxes and “to provide an incentive to work.” It is a refundable Federal income tax credit for low-income working individuals and families.

When the EITC exceeds the amount of taxes owed, it can result in a refund check. To qualify in 2003, the earned income and the adjusted gross income must be less than \$29,666 for a taxpayer with one qualifying child and \$11,230 for a taxpayer with no qualifying children.

Under the guise of seeing to it that the rich pay their ‘fair share,’ Congress designed the alternative minimum tax (AMT) in 1969 to ensure that wealthy taxpayers didn’t use loopholes to escape paying their share of taxes. “Loopholes” are really the allowable deductions carried to the level of legitimately avoiding payment of any federal taxes. Basically, it is the difference between one’s regular tax bill and one’s AMT bill, which has its own set of rates and requires a separate computation not indexed for inflation. It reminds me of, “The Lord giveth, and the Lord taketh away.” It is nonetheless a concern that the “conservatives” still go along with and frequently add to, the already confiscatory structure of taxation. This tells me that they do not fully understand the concept that the outcome of individuals handling their own affairs is superior to that of bureaucratic management. Ideally, wellmeaning bureaucrats should work to decrease the tax burdens.

Thomas Sowell²⁷ writes, “We do not have any more money collectively than the sum of what we have individually.” Whatever an individual may earn or own by his (or her) entrepreneurial or individual efforts belongs to him or her. This is a most basic concept, and it is the fundamental precept that was recognized and built into the fabric of the Constitution and the Bill of Rights. The Republicans basically try to adhere to this principle of private property as conservatives, and firmly believe that it is so elementary that there can be no question. It is so well understood that I believe conservatives act surprised (and even angry) when ‘liberals’ mount objections and obstructions to the concept. Too often, however, the Republicans compromise their goals to achieve the passage of bills that they assert are the ‘best’ they can expect. Too often this plays right into the intentions of those who are ‘liberal.’ It is hard to find an explanation for the persistent lack of effective promotion of the free-enterprise agenda. A good example is the conservatives’ continuation of big government departments including the huge financial outlays for federal education programs, which have produced only extensive mediocrity in the education of our children. Continued farm subsidies to large farmers drive small farmers out of business and encourage nonproductivity.

Legislators do not seem to understand that the unhindered market is quite capable of handling over- and underproduction.

Another example of questionable understanding of the free market is the placement of tariffs on foreign steel early in the George W. Bush administration. Did President Bush not understand basic free-enterprise economic competition or did he compromise for later support on other issues very important to him? I certainly don’t know and admit to being inexperienced in identifying political motives. I do understand that to use tariffs is nothing more than to protect inefficient producers. This leads to overproduction of the ‘protected’ products. Tariffs we apply stress foreign manufacturers and produce animosity in our trading partners, which can result in reciprocal foreign tariffs on US products in their lands. That is not the free trade I understand.

The ‘liberal’ (socialist) belief system is retrogressive and opposes the growth, efficiency, strength, and continual improvement of Capitalism. How unfortunate that the Republicans who believe in ‘smaller’ government compromise on basic principles in order to get their legislation passed only to be frustrated that they cannot count on across-the-board reciprocity from the “other” party. It surely got President Bush, the father, into trouble when he believingly assented to tax increases on a mere expectation that the Democrats would support his further legislation. It lost him a reelection.

I think it is also regrettable that the Republicans in the 1950s did not understand the forward-looking system of Capitalism well enough to oppose openly the collective, socialist-leaning ‘liberal’ agenda and work harder to reduce the size of the federal government.

Capitalism and individualism do not and cannot exist under a socialist system.

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22.

23 Burton W. Folsom, Jr., *The Myth of The Robber Barons*, *ibid.*, pp. 17-39.

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www.reagan.webteamone.com/reaganbudgets.html 26 Andrew J. Galambos, *Sic Itur Ad Astra*, San Diego, California: The Universal Scientific Publications, Inc., pp. 533-537.

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Chapter 6 – Conclusion Never can reconciliation grow, where wounds of deadly hate have pierced so deep.

-- John Milton 1 My purpose in spelling out this material is to clarify the objectives of these two competing systems of societal application: true Capitalism and creeping Socialism. To re-iterate, Capitalism is the system, which provides for the needs and wants of the consumers in the best and most efficient manner and produces private property.

On the other hand, Socialism is the philosophical, esoteric, and unsuccessful societal system based upon central control of the means of production and abrogation of private property. Said more simply, Capitalism creates an economic surplus that always eludes the socialists.

The majority of this country's students in our schools and universities are inculcated with a one-sided presentation of the collectivist societal system at the expense of the importance of the success and value of what has made Western civilization so productive. I have tried to emphasize the value of knowing the two sides of this history in order for students to learn the value of accurate debate. One-sided discourses hardly lead to the ability to think and compare, and therefore to debate. It is important also for our citizenry to understand the basis of this country's success and the true history of its founding.

In democracy, Capitalism is the impetus to accomplish provision for the wants and needs of consumers in the most efficient manner and to produce private property. Under Capitalism, the phenomenal development of the successful society in the United States has occurred because of its freedom and unimpeded innovation, the sanctity of private property, and the creation of wealth. The magnificent growth, prosperity, and wealth here in the US have happened because of freedom for individuals to maximize their personal efforts for bettering their lives. These include the freedom to pursue their separate goals of happiness and to enjoy the liberty to exchange freely with others.

The peaceful correctness of the system of unencumbered Capitalism is so convincing that I have presented material and definitions to clarify and promulgate a more accurate understanding of it in order to counter the too-often derelict education that denigrates it in the public schools.

In stark contrast to the positive capitalist system of expansion of societal development is the unsuccessful practice of Socialism, which is propagated by false claims and deception. Under it, personal lives are supervised and controlled to achieve general compliance.

In our country, people with the 'liberal' mentality, continually attempt to raise taxes to accomplish their conviction of the need to "redistribute the wealth" and to further the welfare state. In Socialism, individual freedom is subordinated to the wishes of a political ruling class who try to bend market forces to their personal aims. Succinctly, government intervention and 'management' hinder Capitalism.

As a belief system, all members of the socialist society are supposed to have no more property than anyone else. This results in lack of initiative, innovation, and self-reliance. The end point is extensive, overall poverty. When the central controls are imposed and maintained by the force of guns, then the same system becomes known as Communism.

Today, there is much impassioned belief in and zealous support for the 'liberal' (socialist) point of view by the teachers in our publicly supported colleges and universities and the media.² The socialists (euphemistically called 'liberals') show no tolerance for any societal ideas of conflicting experience or viewpoints, and they are totally unwilling to listen to or try to comprehend any other opinion or belief. Some of them even go so far as to blame the United States for the hatred behind the terrorist act of September 11, 2001.

Also, they allow no room for any dissent regardless of its possible validity. At several New England Universities there are "speech codes" which exclude opinions labeled "conservative." In fact, they attack all those expressing thoughts not in support of their programs. They move to wipe out all opposing ideas by verbal assault, personal criticisms, and often, invidious accusations. Yet, in our system of democracy, with the assurance of free speech, open debate should suffice to achieve acceptance or rejection of viewpoints by using the capability of rational thinking.

The requisite of true debate is for two opposing sides or views of a subject to be presented and discussed. Rational acceptance or rejection can occur using valid thought processes. Such open and honest debate is not in the 'liberal' intellectual realm of possibility, and I believe the 'liberal'-minded adversaries would be glad if all opponents and disputants could be eliminated. They try to eliminate or reduce them by attacking those opponents personally as in elections where all manner of past questionable behaviors of dissenting contenders are "dug up" to try to discredit the persons.

The destruction of opponents by physical elimination doesn't happen in this country, but it did go on in the Soviet Union and Germany (1933 to 1945) and Saddam Hussein's Iraq, and it does now in Cuba, North Korea, various southern African countries, and under almost all dictators everywhere.

How to reintroduce the clarity of the "other side" to the ivy halls of learning will be difficult. Of help would be simply announcing to them why we would send our children to attend institutions that will teach true history, and by refusing endowment contributions to institutions of one-sided teaching. "Money talks," and recipients of it listen. Thereby I believe changes would occur.

But, a large number of people and a large number of student applicants and families must act in concert for it to be effective.

I firmly believe that this situation must be rectified by the mechanism of free speech and presenting the truth of history. I do not advocate passing "a law" against one-sided

indoctrination because I am convinced that honest and open presentation and debate (the true market mechanism) can achieve lasting success.

There are many 'liberal' organizations such as the "the greens," the ACLU, animal rights activists, and the Sierra Club, to name a few, who lobby to promote their political agendas. To act with an effective voice, we diversified citizens who wish to pursue happiness in our own way find it difficult to be organized in a politically effective manner. However, acting in concert can be accomplished.

The citizens of California did it on October 7, 2003 by voting the recall of their ineffective governor when his oppressive 'liberal' politics, and high taxation blatantly affected them. This happened because talk show hosts and the printed media (in spite of their bias) disseminated the truth of the matter well enough that the citizens had the message of what was really affecting their lives and estates (pocket books). All the more reason for the understanding and dissemination of the material I am presenting.

Still, another means toward changing the present predicament is gradual introduction of teachers who understand and will desire to teach both sides of important issues. Add to that more teachers in the journalism schools who are dedicated to accurate newsgathering and reporting as opposed to the present drive to disseminate a collectivist prejudice that emphasizes, endorses, and promulgates the information that coincides with their partiality.

This is very important but will take years, even if those educators now "in control" work to maintain their fixed political ideas.

Listening to the television interview of former Vice-President Al Gore (whose philosophy is 'liberal'-Left-wing) on the Fox News Channel's Hannity and Colmes, on June 18, 2003, I found his indulgent, patronizing remarks about the "conservative nature" of this relatively young news channel to be condescendingly berating. Is he the spokesman for the 'liberals?' He totally disregarded the several personalities and guests on the channel who by their pronouncements and perspectives are clearly less than conservative.

What it amounts to is that any news program that dares to present both sides of political views must be 'conservative' in its basic policy.

Yet, the tremendous expansion of viewership of the Fox News Channel proves that people want to hear both sides of political and international news, and this confirms the tenuous position of the one-sided presentations by 'liberalism' through its voices in the many major news outlets in the visual media.³ Today's 'liberalism' is nothing more than Socialism in sheep's clothing. It is appalling to see the wide success the advocates of this 'left-wing' belief system have achieved in indoctrinating the minds of students and citizenry over three generations in this country. Their point of view is propagated through our federalized school system in teaching distorted history and maligning the appreciation of the freedoms and liberty afforded by our Constitution and Capitalism. That unilateral point of view is reinforced and propagated daily by the media. And further, teaching that the US commits "imperialism" and "massacres" in third world nations is preposterous, but it has a deep-seated effect on miseducated and believing young minds.

Lenin⁴ once referred to willing accomplices of the Soviet belief system as “useful idiots.” Those were mindless and miseducated people in the Western democracies who would always find ways to excuse whatever the Soviet Union did. According to Thomas Sowell⁵, “These useful idiots were not pro-Communist. They were, and still are, anti-American. (Italics mine) They have contempt for the values of the American people and the principles on which this country was founded and built.” Adding disdain for the Pledge of Allegiance to the United States of America during school instruction affixes disrespect for the sense of pride in our country and system of growth. It is pathetic and downright un-American, and it progressed even to burning of the American flag back in the 1960s. To justify excuses for such action and pronouncements by the weak pretense of exercising “free speech” amounts to major misguidance and ingratitude.

Our Pledge remains a repeated statement of appreciation and loyalty to the greatest nation ever developed in this world.

Thank goodness there are still individual teachers who have their children recite the Pledge in school! As mentioned earlier (Chapter 1, The U.S. Republic), the Ninth Circuit Court of Appeals in San Francisco, in May 2002, ruled that “God” in the Pledge of Allegiance must be eliminated primarily on the agreement with a lawsuit brought by a single individual in Sacramento, California based on his personal atheist belief.

That court action is on appeal to the US Supreme Court.

To continue with observations of destructive political action against the institutions of the United States and its security, is the alarming situation of the present bureaucratic procrastination for the rigorous and careful protection of our borders. This results in the immigration of thousands upon thousands of illegal immigrants who cross those borders monthly and are given welfare and medical care at the expense of the legal citizenry. For our security and economic stability, this must be reversed.

Add to that government neglect, the unique brazenness of some illegal aliens’ families who could dare to bring a lawsuit against the Government of the United States for the deaths of their family members who died by unlawfully crossing over the unprotected borders into our deserts, and one beholds an arrogance of thinking that defies reason. They claim the US did not provide “watering stations” for those who are already breaking the law in crossing the border. This is occurring now, at the time of this writing. In my opinion it is a perversion for any law-respecting attorney even to consider such representation.

Critics of immigration laws claim that illegal aliens perform much work most Americans won’t do. This has validity, yet there are legal ways to handle the ‘work’ issue, such as issuing green cards.

But what of the high-cost of the welfare and medical care given to those illegal aliens? Also, what about the ease of border entry by terrorist aliens?⁶ We must remember and keep in focus that the government exists primarily to protect us citizens and our property.

In spite of a few examples of some large corporations caught in questionable accounting practices, many corporate accounting methods arguably are less flagrant or scandalous than methods used in government agencies. The hostile-takeover threat alone was a remarkably effective way of managing corporate accountability in the 1980s. The

recently exposed corporate accounting systems appear to be designed to minimize taxes and to claim exaggerated earnings, but the deceptions found in some private businesses pale in the light of unaccounted-for billions “lost” by several federal departments.

I do not disparage the present legal actions against the illegal, large corporate dishonest manipulations, and I do not make apologies for dishonesty in any form or in any organization.

However, the ‘liberal’ braying about a few (though large) cases of dishonest corporate accounting seems that they wish to imply that Capitalism itself is faulty, and therefore all businesses should be controlled and politically regulated. With that I disagree. It would only add more suppression and huge, unnecessary costs to the proper function of the free market.

To name a few instances of illegal accounting operations on the part of some large corporations or companies to try to illustrate the ‘wrongness’ of the whole capitalist system is as invalid as to claim that the existence of criminals demonstrates that all society is criminal. Dishonesty is not a function of true Capitalism. The unmanipulated system of Capitalism and free enterprise is successful.

Moreover, claims that Capitalism induces companies into “gouging” are also inaccurate because unrestrained market forces remedy “gouging.” To gouge, naturally would bring negative market reaction from the consumers, and the enterprise would suffer, if not go out of business. If Capitalism were the system by which entrepreneurs and business owners could “take advantage of” and “gouge” people, then there simply could not exist the natural market growth with the resultant high standard of living enjoyed in this great nation. Unlawful actions in business can be and are prosecuted, but each example of corporate wrongdoing can be matched by tens of thousands of examples of businesses’ rightdoing.

After studying the aspects of Socialism’s development and application as well as the consequences, it is undeniable that Socialism derives from a misleading but passionate belief structure sustained by subtle, deceitful tactics.

The writer Muravchik observes that Socialism has a religious fervor to it. The emotionality of it holds its adherents strongly with a ‘moral’ conviction. Their certitude of the “injustice” of the capitalist economy requires a dedication to “social justice” (as they define it) and literal, material “equality of all” except for the ‘liberals’ and the academic intelligentsia who believe that they are “more equal than equal,” (Italics mine) as labeled by author George Orwell in describing the pig leaders in his *Animal Farm*.⁷ To illustrate my point, witness Senator Hillary Clinton in a recent interview with Barbara Walters about promoting Mrs. Clinton’s recent book, *Living History*. During the questioning, Hillary tried to justify her attempt to initiate her system of socialized medicine in 1993 by stating she was merely trying “to provide proper medical care for all.” In reality, that was simply a miscalculation and a blatant but premature attempt to advance her collectivist philosophy onto the whole country through her newly acquired political power. Thankfully, the country was still too well oriented to free enterprise to succumb to such a secretively hatched, ultraexpensive, and ill-conceived program.

Hillary has always firmly believed in the socialistic redistribution of wealth and collectivist central control (and still believes in it), but she now cleverly masks it with benign-sounding goals of “equality and fairness.” She works to control and redistribute the country’s wealth but certainly not her own. It is Hillary’s socialist belief philosophy that makes her and her fellow ‘liberal’ believers so dangerous to our established system of Capitalism and democracy.

The perpetuation today of the socialist mentality takes the form of plain out-and-out anti-Capitalism with a surprising vehemence that defies rationality and translates to anti-war sentiment and anti-patriotism in America. The anti-war crowd insists that “war is immoral,” and demonstrates an astounding disregard for and non-appreciation of self-defense of our wonderful freedoms. Andrew Galambos calls such people “againsters.” True, war is hard to justify as “moral,” but self-defense is moral, and the dilemma of either a defensive war or being mercilessly attacked is a sad reality of our time.

The dogmatic socialist mentality derives from a belief system, which amounts to a religion without a God. The explanation of the meteoric growth of Socialism is the nature of its religion-like ardor of propagation among peoples all over the world. The idea of a societal doctrine that would supplant democracy and organized religions with a conviction of how life ought to be lived (‘based on science’) has been astoundingly successful in its promulgation.

In spite of its unparalleled seduction, it not only has been disturbingly difficult to achieve (except with coercion), it has failed to deliver the remedy for want and deprivation. In fact, it makes things worse, and its economic performance has been dismal. Its protagonists have neither observed nor admitted that Socialism goes against human nature and individuality.

It appears that a paradigm can be as difficult to change as a physical addiction. It is so hard to change people’s paradigms because of the confidence they hold in their belief that they are educated correctly.* This might also add to the explanation of why so many intellectuals and ‘liberals’ continue to hold their viewpoints regardless of facts. There are few believers in Socialism who have bothered or been willing to review its history to discover its universal failure.

Earlier in this essay, I pointed out that the primary motivation for the Fabians, and the later US socialist leaders such as Walter Reuther, Lyndon Johnson, Norman Thomas and many others has been the quest for power, and it still is. With power they can further propel their socialist aims onto society. For example, witness the monumental use of power in passing the Medicare-Medicaid Law in 1965 by the socialist-believing President Lyndon B. Johnson and his ally, labor union leader Walter Reuther, despite the fact that half of those over 65 had their own medical insurance back then.⁸ Observe the degradation of the profession of medicine and the imperious disorder caused since that 1965 Act.

By understanding religious motivation, one can recognize the energetic pursuit of power to spread their ‘religion.’ Some leaders were sincere and earnest, such as Governor Bradford, Robert Owen, Brigham Young, and Clement Attlee, but the failures occurred in spite of their intentions. Successful results are not guar- * This concept is inspired by the unpublished lectures of Jay Stuart Snelson and used with verbal permission.

anted by good intentions, religious fervency, or complete sincerity.

Evidence suggests, and I am convinced that, the 'liberals' are dedicated to the undermining of the superior system of Capitalism and controlling the wealth it produces in order to try to substitute their system of thinking and social structure. Socialism has never been successful, and when the victims of it finally recognize its fraud, the failure of it is hard (witness Robert Owen's New Harmony in Illinois and Attlee's England), but its advocates still believe in it. They go to extreme lengths to justify their position and to continue to attack Capitalism with its foundation of individualism and freedom. Nevertheless, to achieve political power is a strong motivation.

Negative criticism and continual opposition to positive programs reveal the socialists' disdain for Capitalism, its principles, and the concept of loyalty to our country. It points to the fact that they favor weakening the basis of strength of character, morality, and the workings of capitalist growth in order to introduce their system of egalitarianism. That is the only way they have of pushing for and gradually substituting their system to replace what they believe is the "unjust" system of Capitalism.

The supporters of Socialism continually push for the coercive redistribution of the wealth of individuals. The most recent example is the present debate of "rebates of taxes" (in reality welfare awards) to those who do not even pay income taxes. The excuse was "fairness" because of the recent tax cuts awarded to those who do pay income taxes. The philosophy of Socialism relies on the undermining of the stability and intention of responsible, representative government and moral community action that is supported by the Rule of Law and the importance of the individual's ownership of private property.

One of the most prominent conservative radio commentators complained on February 28, 2003 that he could not find a descriptive word to express the degree of irrational opposition by key Democrats to the conflict of war with Iraq and the support of our troops and of President Bush. It is my opinion that the proper label for this cadre of Democrats is SOCIALIST, but certain descriptive adjectives should be added for quantitative emphasis such as: shameful, hateful, disgusting, reprehensible, disreputable, and indefensible.

In this work I have presented the history of tactics of the whole socialist thrust to further their collectivist program. When subtle, gradual subterfuge does not accomplish their goal, they then resort to more overt measures, like the pressure of street demonstrations and greater verbal attempts to influence government activities on their behalf. In other words, if citizens do not accept the socialist egalitarian program, the socialists push for bureaucratic influence and force. They just cannot respect the views or positions of anyone who does not agree with them, so they believe it is necessary to try to pressure people to accept what is 'good' for them. Their emotionally shrill speeches in front of adoring union and race groups inspire non-thinking "mob" reaction.

In the system of Capitalism, unbridled individual attainment, which contributes to the aggregate accomplishment of free men and women in reaching their individual goals, produces a wonderful sense of satisfaction in achievement and a pride not experienced in Socialism. And that also derives from the accumulation of personal wealth (private property).

Nonetheless, the problem of the development of wealth in a democracy is the propensity for those in political office to get their authority status by promising to redistribute a percentage of the tax-skimmed-off wealth as “entitlements.” They can thus garner votes to gain that position and to perpetuate it. If unbridled, this can lead to huge budget deficits as noted in the State of California in 2002 into 2003. This condition is produced by unbounded use of tax revenues for social welfare and coercive regulation of businesses and private lives rather than their use for security and maintenance of infrastructure.

The Democrats’ recent negative foreign-policy position is producing support mostly from their narrow constituencies, and they are trying also to gain political success by resorting to frequent and vituperative verbal attacks on the slow recovery of the economy.

At the same time they oppose true recovery measures such as President Bush’s income tax category reductions and his request for a \$750 billion cut in the income tax. Although the Democrats preferred to raise taxes, they could not stop the \$350 billion income tax-cut bill that was passed during the last week of May 2003.

Continual one-sided negative news reporting about the help to establish democratic stability in Iraq is resulting in people’s losing confidence in President Bush’s foreign policy, which in the longrun benefits our very security. There they go again; repeat a thing often enough, and many will come to believe it.

The continuous harangue of the socialist indoctrination to mislead students and others, in too many people results in a hatred of anything “capitalist” and establishes a negative, resentful association with the concept of Capitalism, which has to gnaw at the very feeling ability of the person embracing the structure of collectivism.

A continual diet of hearing about the ‘injustice’ of a free society simply must result in a great weight of negative comparison, which displaces all thought of creative inventiveness. It dwells on the shoulds of human activity as defined by the egalitarian sophistry. It thrives on the jealousy of comparison and inspires the bringing down of Capitalism. Jealousy and anger develop in the socialists when the bounties of earned profits from the free market mechanism accrue to the entrepreneurs, the investors, the technicians, and even to the workers.

Furthermore, continual negative criticisms produce consuming cynicism. Such cynicism emerges from the continual claims of the ‘injustice’ of Capitalism. Carrying negative, destructive, even vengeful feelings is harmful to the person who harbors those thoughts. First, negative thoughts displace positive and productive thinking. Second, negative thoughts fester and most usually worsen and lead to negative expressions and actions. Still, thoughts alone are in the mind of the thinker and do not bother or hurt the objects of those sentiments.

On the other hand, offensive actions and spoken, offensive words certainly can and do hurt others, but the point of this observation is to describe the deleterious effect of negative thinking upon the person harboring that thinking. In a word, when Socialism’s worth is propagated through aspersions of individuals and Capitalism, as socialists do by maligning and trying to discredit the system of Capitalism, then Socialism’s weaknesses are masked and are harder to detect, but the results are still negative.

In summary, the main conclusions we should draw and remember are based on the positive features of Capitalism in comparison with the negative features of its competing societal system, Socialism. The following is a list of the important features of each:

Positive Features of Capitalism: 1) It provides for the wants and needs of consumers in the best and most efficient way, 2) It is based on private ownership of the means of production and the ownership of private property.

- 3) Under Capitalism, initiative, innovation, and self-reliance develop and thrive.
- 4) Free people can work and save and with savings, invest.
- 5) Capitalism develops private property, wealth, and prosperity.
- 6) It causes business efficiency, growth, and Improvement.
- 7) It develops “win-win” contracts (based on trust) and voluntary free associations.
- 8) Capitalism gives rise to free-market economics.
- 9) Free-market economics require life, liberty, and property.
- 10) Capitalism demands democracy.
- 11) Under Capitalism, each individual’s future depends on the efforts of each individual.

Negative Hallmarks of Socialism: 1) It is control of society by a central committee or despot.

- 2) It means central government control of industry (the means of production).
- 3) It abolishes ownership of private property.
- 4) It redistributes wealth to cause all people to have the same.
- 5) Socialism controls lives and reverses liberty.
- 6) It represses initiative, innovation, and self-reliance.
- 7) It subjugates the individual to interests of the state.
- 8) It promotes racial preferences (affirmative action).
- 9) It promotes class-envy.
- 10) Socialism subverts moral standards and education.
- 11) It rewrites history and undermines the US Constitution.
- 12) Its proponents relentlessly criticize Capitalism, capitalists, and conservatism to try to promote Socialism.
- 13) Socialism requires coercion and in some countries shutting people up in concentration camps (and even murder).
- 14) Every societal attempt to institute Socialism has failed.

Knowing the above listed aspects of the two main Western societal systems will develop understanding of freedom versus central control. These features will also help further development of an understanding of coercive subjugation versus personal liberty. One

can then appreciate also the difference between private control and central control of society and the means of production.

Knowing the difference between freedom and coercion, we will recognize the gradual and subtle introductions of socialistic influences and laws, which will negatively affect free men's lives.

Hopefully this will help in opposing those subtle insertions.

These understandings will affect all our everyday lives and choices.

Moreover, one should ponder the many aspects of the current, crept-in socialistic aspects to our economic system in America; namely, the present welfare state and its hampering effect on individuals, oppressive taxation, inheritance taxes, and the many arbitrary and restrictive interferences with private businesses, like requirements of minimum wages and compulsory liability and medical insurance coverage.

We must also recognize the rewriting of history and the one-sided education of societal systems in our institutions of education.

Furthermore, we must recognize the negative effects of the attacks upon standards of propriety and morality. And it is very important that we must recognize the detrimental attempts to weaken the departments of the armed forces, Homeland Security, the FBI, and the CIA. Is the welfare state more important than the security of the whole country?

Once the vast differences of the two systems are recognized and understood, it is hugely important that we should teach our children about the American democratic and Capitalism way of life.

We must teach the true history of the creation of this great United States and its institutions, and we must teach the story of the important founders and early leaders of our country and the important major historical events of this country's development up to the present time.

Of equal importance, in our schools and homes we must inculcate loyalty to our country and to recite the Pledge of Allegiance.

We must teach appreciation for and the advantages of accurate education, and we must be vigilant that those are being stressed in our homes, schools, and in our churches.

Last, but not least, the ability to think, by understanding both sides of important issues, must be encouraged and followed assiduously.

And the children must be taught to appreciate respect for themselves and others and to understand personal responsibility.

There are several books in the last two years and presently coming out, which chronicle many of the specific ramifications today of the inroads of Socialism (as adopted by the 'liberals') into the institutions of our country and of the Left's activities by applying Socialism's tactics. The emphasis of this book is to present the origin, goals, and the thus-far successes of the infiltrating Socialism in this country.

It is my objective to reveal and clarify the basis of the socialists' manner of thinking (philosophy) so that the pattern of those collectivists' actions and vocalizing can be

properly categorized, anticipated, confronted, and refuted. In fact, armed with the knowledge of this creeping miscreation, a possible mode of anticipation and effective counter-assault may be prepared and conducted before the dangerous program of the 'liberals' (socialists) can be further infiltrated.

After all the negativity perpetrated by the believers in Socialism, I wish to reiterate, on the positive side, that the joy and satisfaction of realizing the results of a strong and productive societal system are inspiring. They derive clearly from accurate education and constructive thought patterns. I listened recently to the beautiful strains of Ferde Grofe's musical description of a sunset. His harmony and expression gave me the warm feeling of appreciation of all that is creative. I feel the same about honest, unrestrained, and wide-reaching activity. The free association of true rationality with accurate definitions and the demonstrated and consistent application of historically proved and functional Capitalism inspire confidence. They result in a depth of inspiration in me much like the expansive and thrilling feeling of hearing Grofe's music.

David L. Wood 1 John Milton, *Paradise Lost*, Book IV.

2 Bernard Goldberg, *Bias, A CBS Insider Exposes How The Media Distort the News*, Washington, DC: Regnery Publishing, Inc., 2002.

3 Bernard Goldberg, *Bias, ibid.*, and William McGowan, *Coloring The News, How Crusading for Diversity Has Corrupted American Journalism*, San Francisco: Encounter Books, 2001.

4 Mona Charen, *Useful Idiots: How Liberals Got It Wrong in the Cold War And Still Blame America First*, Washington, DC: Regnery Publishing, Inc., 2003.

5 Thomas Sowell, "Useful Idiots," editorial, *The Press-Telegram*, Long Beach, CA: May 27, 2003, p. A13.

6 Michelle Malkin, *Invasion: How America Still Welcomes Terrorists, Criminals Other Foreign Menaces*, Washington, DC: Regnery Publishing, Inc., 2002.

7 George Orwell, *Animal Farm*, New York: Signet Classic (Penguin Putnam, Inc.), 1956.

8 David L. Wood, M.D., *Who Will Take Care of Me When I Am Sick?: Managed Mishandling of Health Care*, Long Beach, CA: 2001, p. 130. (Available on: www.amazon.com) Glossary Capitalism It is the system, which provides for the needs and wants of the people (consumers) in the best and most efficient manner. (See Chapter 2, "Capitalism" for in-depth definition and explanation.) The definition in Webster's Encyclopedic Unabridged Dictionary (1989) is the one generally accepted; namely, "...an economic system in which investment in and ownership of the means of production, distribution, and exchange of wealth is made and maintained chiefly by private individuals or corporations, esp. as contrasted to cooperatively or state-owned means of wealth." A more all-encompassing definition is given in terms of property by A. J. Galambos: "Capitalism is that societal structure whose mechanism is capable of protecting all forms of private property completely." —A.J. Galambos, *Thrust For Freedom – No.4 Coercion To compel by force, intimidation, or by authority, especially without regard for individual desire or volition.* --Random House Webster's Unabridged Dictionary, Random House, New York, 1986, p. 398.

Another definition, based upon a more inclusive definition of property: “Coercion is the attempted, intentional interference with the property of another. [This includes the interference with the primary property of another (by fraud and deception).] —A. J. Galambos Conservative A conservative works to preserve what has been established.

The ‘liberals’ definition of a conservative is anyone who disagrees with their philosophy, their schemes, their interpretations, their opinions, their goals, their criticisms, their plans to oppose Israel and support Palestinians’ terrorism, their anti-American agenda, their push to make relative all established and proven standards of morality, education and discrimination, and their interpretations of the Constitution and the Law.

(For a thorough discussion of conservative, see Chapter 5, Conservatism.) Conservatism The tendency to preserve what is established. In the US today, it has taken on the meaning of the movement supporting the Republican Party, which is trying to preserve the original basis of the establishment of the republic in the United States. It is trying to emphasize the role of the Federal Government to provide security for the country and defend against foreign powers.

Communism The philosophical, esoteric, and unsuccessful societal system, based upon central control of the means of production and the abrogation of private property, propagated by deceit, fraud, and coercion (guns). Capitalized ‘C’ communism was the title of the socialist system of the USSR.

Democrat A member of the large political party, the majority of which today has adopted the tactics and goals of Socialism and its antagonism to uncoerced Capitalism.

Faith Is unwavering belief in the truth and validity of one’s adopted premises and conclusions without any observational testing by anyone to either verify or falsify the truth and validity of those premises and conclusions.

—Defined by Jay Stuart Snelson Freedom Freedom exists when all members of a society have full control of their own property. “He stands for freedom, then, who respects property absolutely and works for the establishment of a society in which all property is fully under the control of its owner.” —A. J. Galambos Fraud Fraud is intentional misleading by lying and promising the unattainable. Fraud involves deception, which is an untruth stated for a property seizure purpose.

—A.J. Galambos Human Nature It is the inborn trait of all humans to choose action toward gain (as they perceive it) and away from loss.

—Defined by Jay Stuart Snelson Injustice Injustice is the result of any successful act of coercion.

(q.v.) Justice Is the absence of injustice.

Liberty Ownership and control of one’s own actions, or uncoerced human action is called liberty. Freedom (control of one’s own property) must exist for liberty to have full meaning.

Lifeboat Case The generic name for unusual conditions that arise occasionally. It does not indicate a general concept. —A. J. Galambos Means of Production All industrial and business entities. Under Capitalism, the means of production are free to be established, free to grow, and free to produce unlimited output based on free-market mechanisms.

Morality Morality is personal and civil action without coercion.

Profit The difference between the cost of production of goods and services and the price received for their sale, or gross income minus all overhead expenses.

Progress Any knowledge of causality, which leads to positive application for the benefit of people and society.

—J. Stuart Snelson [For socialists to refer to themselves as “progressives” is a misapplication of the concept of progress.] **Property** Individual man’s (and individual woman’s) life and all non-procreative derivatives of his (and of her) life. Property is the basis of liberty. (See Chapter 1, Capitalism, for an in-depth description of property and property rights.) **Republican** The other large political party, which does its best to preserve the Constitution and the “intentions of the founding fathers” but does so using taxation for funding, although trying to reduce taxes at the same time. It stands for smaller government, greater support of business entities and greater local controls over education.

Scientific Method The scientific method is the accurate system of inquiry, consisting of four steps: a. Observation of a phenomenon (for data gathering) b. Hypothesis Formulation (by valid thought processes) c. Extrapolation (extending beyond the observable territory into a domain where observations have not yet been made) d. Observation (for corroboration of the extrapolations or predictions) “The scientific method makes an infallible system apply to fallible men. It is the only known reliable path to new knowledge.” —A.J.Galambos **Socialism** The philosophical, esoteric, and unsuccessful societal system based upon central control of the means of production and abrogation of private property, propagated by deceit, fraud, and deception.

Wealth The accumulation of profit.