

The Free Market

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Teenage Mutant Ninja Leftists

By Alexander
Tabarrok

Ludwig von Mises disliked hardboiled detective novels because he always knew who the murderer would be: not the butler, but a prosperous and respected gentleman of high social standing who pretends to virtue, but is actually a hidden criminal and sanctimonious hypocrite. Mises saw egalitarian envy in such tales.

It's no different on television. From the *A-Team* to *Murder She Wrote*, a staple plot of mystery thrillers is the profit-seeking capitalist who goes over the line. But now the Disney Studios and Stephen Cannell, one of television's most prolific producers, have gone one step further.

In the old days, capitalism and the profit motive had to be demonized indirectly. The pursuit of profit was portrayed as evil to the extent that it led to murder, kidnapping, theft, etc. This was all too often, but the idea of a moral businessman was at least conceivable. Not so today.

Disney's new prime time show, *The 100 Lives of Black Jack Savage*,



has a simple if bizarre plot. The first episode opens with a New York capitalist hounded by the Securities and Exchange Commission for insider trading. It's no accident that he looks like Michael Milken.

Tarberry, the capitalist, escapes to a banana republic, which presumably lacks an ex-

tradition treaty with the U. S., and buys a haunted castle. Enter Black Jack, a 300-year-old ghost. While alive, Black Jack murdered, pillaged, raped, etc. Today, he roams the earth to atone for his sins. To do so, he must save 100 lives, and he wants Tarberry's help.

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The Infant Mortality "Crisis"

By Murray N.
Rothbard

I first heard of the Infant Mortality Question last summer, when I had the misfortune to spend an evening with an obnoxious leftist who claimed that, despite any other considerations, U. S. capitalism had failed and the Soviet Union had succeeded, because of the high "infant mortality" rate here. She must have been ahead of the left-wing learning curve, for since then the press has been filled with articles proclaiming the selfsame doctrine.

First, on the Soviet Union, I learned from Soviet defector Dr. Yuri Maltsev that the Soviets

had achieved low infant mortality rates by a simple but effective device, one that is considerably easier than medical advances, nutritional improvement, or behavioral reform for pregnant women. Namely: by holding up the statistical reporting of a death until the mortality is beyond "infant" status. No one, apparently, pays much attention to the death rate of post-infants.

But what of the U. S. infant mortality record? Well, in 1915, 100 infants died for every 1,000 live births in the U. S. Since then, the mortality rate has fallen spectacularly: to 47 for

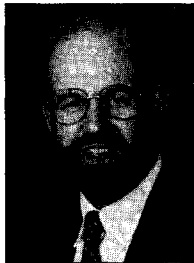
every 1,000 in 1940, 20 by 1970, and down to 10 per 1,000 by 1988. A 90% drop in the infant mortality rate since 1915 does not seem to be a record calculated to induce an orgy of breast-beating and collective guilt among the American people.

So why should Dr. Louis W. Sullivan, our official scourge as Secretary of Health and Human Services, denounce the U. S. record as "shameful and unconscionable"? And why should a proposal by President Bush for an additional federal prenatal care program of \$171 million be

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The Booby Prize

From the President



By Llewellyn H. Rockwell, Jr.

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Economic illiteracy is a state religion these days. Any economic idiocy you can think of (and some you can't) is at this moment being advanced by some politician, journalist, or academic. To recognize this, the Institute will award the new Oskar Lange Prize each month to some purveyor of economic malarkey.

Lange (1904-1965), an embarrassingly wrong Polish economist, studied at Harvard and Berkeley on Rockefeller Foundation grants, taught economics, and was a high official of the post-war Communist government in Poland. He was also an opponent of Ludwig von Mises's.

In 1920, in his famous article on "Economic Calculation in the Socialist Commonwealth," Mises raised an issue that socialists had never considered: without private property and the price system it generates, how can planners know whether resources are being used efficiently? They could not, said Mises, because "socialism is the abolition of rational economy."

This wasn't the first economic challenge to socialism, but it was the most sophisticated. And it is still unique in the history of thought, for Mises argued that *only* a free market can allocate resources rationally. "Every step that takes us away from private ownership of the means of production...also takes us away from rational economics."

After much study, Lange responded with another famous article. In it, after noting that Mises had "induced the socialists to look for a more satisfactory solution of the problem," Lange said he had found the answer, and he was almost universally believed until 1989. That answer was: planners could order managers to *make up* prices based on cost of production.

Lange suggested contemptuously that a "statue of Professor Mises ought to occupy an honorable place in the great hall of the Ministry of Socialization of the

Central Planning Board of a socialist state" in "recognition of the great service rendered by him" to socialism.

"What these neosocialists suggest is really paradoxical," answered Mises. "They want to abolish private control of the means of production, market exchange, market prices, and competition. But at the same time they want to organize the socialist utopia in such a way that people could act as if these things were still present. They want people to play market as children play war, railroad, or school. They do not comprehend how such childish play differs from the real thing it tries to imitate."

Mises was famous for sticking to principle. "Intransigence," his enemies called it. Although always a socialist, Lange zigged and zagged according to the winds of prevailing opinion. As the *New Palgrave Dictionary of Economics* puts it rather charitably, "the substance" of Lange's views was "often influenced by tactical considerations."

In this great tradition, our first Lange laureate is Robert Kuttner, economics editor for the *New Republic*, columnist for *Business Week*, and author of *The End of Laissez-Faire* (New York: Knopf, 1991).

Kuttner could get our booby prize for a number of dubious achievements, but *The End of Laissez-Faire* stands out.

As you might gather from the title, Kuttner's book is a paean to big government, and not just domestically. "One cannot advocate an interventionist policy domestically without coming to terms with the porous character of the economy globally," he writes. To "reclaim the ability of the democratic polity to counterbalance the forces of the private market, there are only two possibilities. Either the nation-state reclaims a measure of sovereignty from private market actors, by limiting the cross-national flow of capital

goods, or it pools sovereignty in supranational agencies that set common rules. I argue that elements of both approaches are necessary."

In the U. S., Kuttner wants more socialized jobs, charity, education, medicine, and investment, plus all-round planning. "Americans," he says, "need to get over their antipathy to planning for civilian and commercial purposes." His ideal is the total economic planning of World War II and Roosevelt's fascist National Recovery Act, which was later declared unconstitutional. It was, he says, a praiseworthy "partnership between business and government."

Internationally, Kuttner wants to bring to life "Keynes's 1944 vision" of a "true world central bank," which requires "the ceding of a substantial degree of monetary sovereignty, which in turn would mean giving up a good deal of policymaking sovereignty as well."

He also advocates "a common set of global rules—trade finance, national-security export controls, environmental regulation, labor standards, to mention just a few," enforced "through international regulatory institutions."

In a nutshell (appropriately enough), Kuttner wants a combination of Mussolini and Marx, of fascism and socialism, plus the abolition of American independence in a new world order. What a guy.

In a decent society, Robert Kuttner would be giving impassioned speeches in Central Park to no one in particular. Instead, he is a celebrated and influential intellectual.

To his list of honors we add the first Lange Prize. Soon he will receive his certificate, decorated with straitjackets, sliced bologna, and flying loons. For future months, please send me your nominations. I do not expect any shortage. We live, for Lange Prize purposes, in a target-rich environment. ♦

Teenage Mutant Ninja Leftists

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Capitalist Tarberry is reluctant to cooperate, until he finds that he is targeted for Hell. Corporate takeovers have condemned him to eternal damnation! Black Jack makes it clear to those who haven't gotten the message. "You and me," he tells Tarberry, "we're the same." The serial murderer and the capitalist are moral equivalents, courtesy of Disney and Cannell.

As if this weren't bad enough, Black Jack and Tarberry set out to rescue some poor and noble natives who are being mysteriously murdered. Who's the culprit? A businessman, of course, illegally dumping toxic wastes into the ocean and killing anyone who notices.

Toxic waste is the Great Satan of the month. After all, the most serious charge against Saddam Hussein, his "crime against humanity," was the killing of some dolphins and sea birds with an oil slick.

Anti-capitalism is even worse in children's cartoons, however. *Teenage Mutant Ninja Turtles* is one of the most popular of the new propaganda vehicles. For those who have somehow managed to miss the television show, the movies, the Barbara Walters interview, the records, the pizza promotion deals, and the toys, the Turtles are sword-carrying, ninja fighting, human-sized turtles led by a big rat. Created in an accident involving—that's right—toxic waste, the Turtles now exact retribution from, among others, the capitalists who inadvertently created them.

In a recent episode, the evil genius brainwashed corporate executives to Nazi-salute him with chants of "Profit, Profit, Profit." The happy ending had the capitalist repenting and promising to put people ahead of profit, to clean up the environment, and to love the earth. As Dave Barry would say, I AM NOT MAKING THIS UP.

The Turtles are not alone, of course. There are also the *Toxic Avengers*, *Captain Planet*, and others. *Toxic Avengers* is most virulent in the comic-book form. The plot is familiar—our hero falls into a vat of toxic waste just as lightning hits, creating a monster who fights the evil corporation run, literally, by the Devil, which—pursuing "obscene profit"—brought the Avenger to life. As the cover of a recent issue says, "the Toxic Avenger Battles the Greediest, Evilest Conglomerate Ever—APOCALYPSE, INC!." A cover note to parents says the comic is meant for "immature readers." True enough, as children are taught that the earth is being destroyed by capitalism.

Even the once-virtuous *Jetsons* has succumbed to the new paradigm. The original show was a paean to a free-market future, with the labor-saving devices like household robots and flying cars. But the modern movie teaches that the price of this luxury is the despoiling of a planet peopled by cute little animals. In the movie, these animals organize a revolution to overthrow their capitalist overlords, especially George Jetson's own employer.

The message is clear—we are all rapers of Mother Earth until we give up our bourgeois lifestyles.

Groups like Action for Children's Television, the National Council of Churches, and the national PTA have engaged in massive leftist lobbying of toy manufacturers, cartoon producers, the FCC, and Congress. As a result, the opposition of these groups, especially ACT, can cost producers a lot of money.

One supposed concern of these groups has been violence, but now it turns out that not all violence is equal. If GI Joe shoots a space alien, it's "irredeemable." But make the alien a toxic polluter, and that same shooting is "educational."

In 1990, after years of lobbying, the Children's Television Act became law. It requires stations to meet "the educational and informational needs of children" or face possible loss of their broadcast license. So we can expect to see even more anti-capitalist "educational programming" like Ted Turner's *Captain Planet and the Planetoids*. *Captain Planet* has plenty of violence, but each story contains "real" information about an environmental issue like acid rain or toxic waste, and therefore is socially valuable according to ACT.

The anti-business propaganda on television is, of course, paid for by business. Isn't it time that corporate America took a few days off, took a look at television's vast anti-capitalist wasteland, and set about to clean up the toxic ideology? ♦

The Infant Mortality "Crisis"

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denounced by some Congressmen as amounting only to a net increase of \$121 million, since \$50 million would be deducted from existing programs? Why is it assumed on all sides that more federal spending is necessary?

The problem seems to be that many countries have lowered their infant mortality rates even faster, so that the U. S. now ranks 22nd in infant mortality; rates in

Japan and in Scandinavia are less than half that in the U. S.

As in economic statistics, it helps our understanding to disaggregate; and we then find that black infant mortality has long been far higher than white: specifically, the 1988 U. S. rate was 17.6 for blacks and 8.5 for whites.

Apparently, the key to infant mortality is low birth-weight, and low birth-weight rates in the U. S.

have long been far greater for black than for white infants. The white rate has remained at about 7% of live births since 1950, while the black rate has hovered around 10 to 14% of births. Starting at 14% in 1969—the first year black birthrate figures were kept separately—black low-weight births fell after abortion was legalized, only to go back up since the mid-1980s to over 13%.

In the left-liberal worldview, every social problem can be cured by federal spending.

So central is the birth-weight problem that Christine Layton of the Children's Defense Fund, a left-liberal "health advocacy group" (is anyone *opposed* to health?) in Washington, welcomed the recent news that infant mortality rates fell to 9.1 deaths per 1,000 live births in 1990 only grudgingly. She pointed out that this decline since 1988 is due only to new medical advances in drugs for treating lungs of premature babies; apparently this decline doesn't really count, since it will not "have the kind of lasting effect we need to see on the problems of being born too soon or too small."

But how come the low birth-rate problem among blacks has persisted for decades even though, with its usual energy in spending taxpayer money, the federal government has been tackling the problem since 1972 by its immensely popular WIC (Special Supplemental Food Program for Women, Infants, and Children) program? WIC costs the federal government \$2.5 billion a year, in addition to federal subsidies to states administering the program.

In the left-liberal worldview, every social problem can be cured by federal spending, and so the government assumed that low birth-weight among black babies was due to malnutrition, which was in turn due to poverty. WIC,

therefore, has been providing poor American women with vast amounts of milk, cheese, eggs, cereal, and peanut butter. WIC has been supplying all this food to half of the eight million pregnant women, infants, mothers, and children eligible to receive it; to be eligible, family incomes must be below 185% of the official poverty line, and the family must be officially judged to be at "nutritional risk."

So why is it that impoverished black mothers, despite the intake of all this federally sponsored nutrition, have not seen the low birth-weight or the mortality problem reduced over these two decades? Why has the only accomplishment of WIC been to provide massive subsidies to dairy and peanut farmers? (We set aside the rising obesity and cholesterol rates among poor blacks.)

The answer is that, remarkably enough, nutrition, and therefore low incomes, is not the problem. It turns out, according to an article by prominent nutritionist and pediatrician Dr. George Graham of Johns Hopkins Medical School (*Wall Street Journal*, April 2, 1991), that the key cause of low birth-weight, and especially of very low birth-weight, in the U. S. is premature birth, and that malnutrition plays virtually no role in causing premature birth. In Third World coun-

tries, on the contrary, low birth-weight is caused by malnutrition and poverty, but premature birth in those countries is not a particular problem.

Unlike Third World countries, low birth-weight and therefore high mortality rates, in the U. S. is a problem of prematurity and not malnutrition. In fact, the infant mortality rate on the island of Jamaica, almost all of whose population is poor and black, is substantially lower than in Washington, D.C., whose blacks enjoy a far higher income than in Jamaica, and two-thirds of whom were beneficiaries of the WIC program.

The cause of premature births, in fact, is not nutritional but behavioral, that is the behavior of the pregnant mother. In particular tobacco smoking, ingestion of cocaine and crack, previous abortions, and infections of the genital tract and of the membranes surrounding the fetus, which often are the consequence of sexual promiscuity. And there we have it.

These are not facts that left-liberalism likes to hear, and obviously no federal mulcting of taxpayers is going to improve the situation. Left-liberals might try to evade the truth by charging that this is the old conservative tack of "blaming the victim." They're wrong. No one is blaming the babies. ♦

Official Truth

By Joseph Sobran

The vast number of state schools and colleges, the structure of credentials and accreditation, the enormous volume of textbooks, the subsidized academic presses, all militate to give academic opinion the character of mass production and its consequent uniformity. And whatever may be said for mass production, in intellectual matters it certainly has its drawbacks.

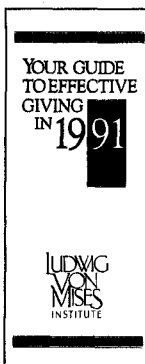
The American public education system might be said to "overproduce" orthodox opinions in somewhat the same way

that socialist economies can overproduce salted fish, with the result that huge surpluses go uneaten, while nobody can get beef or oranges. By being "freed" of market pressures, the academy has lost its vigor and variety. It doesn't have to respond to anything but peer pressure—not a healthy situation if we want a thriving marketplace of ideas.

The age of the great amateur scholars, writing for open-minded readers rather than for peers already committed to an orthodoxy, seems to be long past. I think, for instance, of Henry

Hazlitt, a brilliant economic thinker who wrote with unfailing purity of style, only to be snubbed by professional economists for whom Keynes was the oracle of Official Truth. Keynes himself is now passé; Hazlitt will remain a joy to read for as long as English is spoken. Yet even now, economics professors are apt to shoo their students away from Hazlitt as a vulgar popularizer.

The professoriat regards popularizers the way union bosses regard scab labor. They undermine the authority of the profession.



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Official Truth in every field has a way of shirking the obvious. The underlying principle seems to be that the authority of the professoriat depends heavily on the tacit exclusion of the public; Official Truth is the special possession of the initiates. This is inimical, of course, to free debate.

Consider the fate of Judge Robert Bork, nominated to the Supreme Court in 1987. Judge Bork was widely associated with the doctrine of "original intent"—the principle that the Constitution should be interpreted according to its meaning in the minds of its authors and their contemporaries. Judge Bork himself preferred the phrase "original understanding," to avoid any suggestion that his criterion was the merely *subjective* intent of the framers.

We can lay aside for now the question of whether Judge Bork himself accurately understood that "understanding." My own opinion is that he was wrong in some important respects. But on purely common-sense grounds, the principle he avowed would hardly seem open to question. Our first duty in reading *any* text from an earlier time is to grasp what its words meant in their own day. This is of course why most modern editions of Shakespeare are full of footnotes: a sophisticated interpretation must begin with awareness of the most basic meanings.

But Judge Bork found himself up against an Official Truth. The legal establishment, involving the courts, the bar, and the academy, is committed to the professional position that the Constitution's meaning has "evolved," that the Constitution

is a "living document," and that its original meaning is obscure and irrelevant—even though the language of the Constitution is much closer and clearer to us than that of Shakespeare.

What the Bork controversy revealed was that the legal profession and the academy had a vested interest in obscurity. Justice William Brennan spoke at Georgetown University at about the same time on the same general question, and asserted that the original meaning of the Constitution had been lost in the "mists of time," as if it had been contemporaneous with *Beowulf*. The same theme was sounded endlessly by various legal scholars and liberal pundits.

If they were right, we might as well give up on interpreting the Constitution at all. But of course this wasn't what they wanted. What they wanted was deference to the meanings they themselves had imposed on the Constitution. And their hostility to the very idea of an ascertainable original meaning was a clue that they knew how far their currently favored "meanings" diverged from the original.

The Constitution was written to be intelligible to all citizens, because the framers believed in self-government. But the legal and scholarly establishment wants constitutional meaning to be the province of a special authority. Judge Bork was threatening to open the discussion to everyone, appealing to the plain meaning of the text.

Judge Bork's critics didn't argue that he was wrong. They merely called him an "extremist" and charged that he was "out of the mainstream" of legal thinking.

These terms of derogation are revealing. They imply a duty to conform to current academic consensus; and they further imply that such a consensus does indeed exist, with little room for serious dissent. This doesn't say much for the vaunted tolerance, pluralism, and spirit of free inquiry of the university. Not one liberal commentator suggested that Judge Bork might add an interesting new perspective to the Court; nearly all warned that he would undermine the recent rulings they held sacred, if only by expressing his solitary doubts.

We live in an atmosphere, widely deplored now, of "politically correct" attitudes. And an increasingly unitary, tax-funded educational system lends itself to the designs of those who favor intellectual monopoly, intellectual trade unionism, intellectual central planning—often in the name of "diversity." But real diversity is the casualty of a system that answers more and more exclusively to the state, rather than to the market.

Consensus is a good thing, and it is not inimical to diversity. It *emerges* from diversity, as people take their different routes to congruent conclusions. But this is not at all the same thing as the sort of conformity that results from subsidized overproduction, which crowds out, censures, and punishes those who don't subscribe to the sectarian opinions and attitudes that happen to have gained the upper hand. Can it be pure coincidence that as private education has declined, our universities have become sites of the most flagrant intolerance? ♦

Let's Repeal Antitrust

By D. T. Armentano

Last year marked the 100th anniversary of the Sherman Antitrust Act. Here are five reasons why we should have celebrated that anniversary by repealing *all* antitrust laws.

1. The historical origins of the Sherman Act are tainted

with self-interest and business protectionism. Small business hoped that the law would be used to stifle the efficient growth of the large trusts. Anti-labor interests hoped that the new law would be used to stifle the growth of unions and collective bargaining. And Senator Sher-

man and other Republicans hoped that the law would help distract public attention from their support for higher protective tariffs. So much for the "public interest" origins of antitrust law.

2. The antitrust laws have always been used to protect less-efficient firms from the rigors of the

Antitrust laws have protected inefficient firms from the rigors of competition.

competitive process. This protectionism is most obvious in the private cases—95% of all antitrust—but it is also evident in the classic government cases as well. Antitrust attacks on firms like IBM, United Shoe Machinery, DuPont, Procter & Gamble, and Alcoa have all had the economic effect of sheltering less-efficient businesses. Antitrust restrictions on business mergers have had the economic effect of protecting entrenched managers and corporate assets from efficient reorganization. Antitrust restrictions on price reductions, price discrimination, and tying agreements have all served to protect inefficient competitors and harm consumers.

3. Real monopoly power has always been immune from antitrust regulation. Local telephone service and cable t.v. service are monopolies by law. Government licensing and tariff protection restrict competition and generate monopoly “rents” for privileged private interests. Only government-supported

cartels (agriculture, transportation, oil) have ever been able to establish long-run monopoly prices. Deregulation, not antitrust, is the road to efficient, well-organized markets.

4. Rule-of-reason analysis in antitrust assumes that government and judicial decision makers have access to economic information concerning social costs and benefits. For example, the regulators may decide that market prices are too high or too low; that specific corporate assets (AT&T) must be divested; that specific mergers and joint-ventures are not in the public interest; or that resale price maintenance agreements are inefficient and should be prohibited. Yet costs and benefits are personal and subjective, and cannot be aggregated and compared as the rule of reason naively assumes. Antitrust judgments are little more than “hunches” and can hold no scientific claim to increasing “social welfare.”

5. The antitrust laws are a civil liberties nightmare. Given

the vagueness of the statutes, it is inherently unclear which tying agreements, mergers, or dealer terminations violate the law. Business people can be convicted for complaining (talking about prices. Firms are often “turned in” by their business rivals. Judicial remedies apply only to the convicted even though the questioned practice may be wide-spread throughout the industry. Even Adam Smith was forced to admit that a law prohibiting price collusion could not be made “consistent with liberty and justice.”

In sum, the antitrust laws have lost all of their legitimacy. Their historical origins are suspect; they have protected inefficient firms from the rigors of competition; real monopolies are immune from antitrust regulation; the antitrust rule of reason is inherently unreasonable; and the laws are incompatible with liberty. In this age of international markets and global competition, the U. S. antitrust laws are hopelessly out of date. One hundred years of nonsense is enough. ♦

Prices and Soviet Socialism

By Yuri N. Maltsev

Private property is the foundation of a free market, but it cannot hold a substantial economic structure without the price system. Prices are the key to the rational organization of the world's entire stock of resources, whether natural or created, fundamental or intermediary.

A price is sensitive to a whole range of factors: availability of resources, desires of the consuming public, and entrepreneurs' forecasts of the future. It is also sensitive to government manipulation through regulations, controls, and taxes, all of which create misallocations. All the world over, prices are being abused, distorted, invented, and manipulated, no more so than in socialist countries, where prices in no way reflect real economic conditions. The result of abolishing the mar-

ket price system, is, as Ludwig von Mises said, “planned chaos.”

Mikhail Gorbachev's price hikes, like the currency reform before it, were hailed as a step toward the market because prices are higher than before. But that is no more of an improvement than when the U.S. Post Office raises the price of stamps.

This was the first time since 1961 that the prices of basic goods changed, yet the prices were already extremely high, not low. A person had to work seven times as long as here for butter, three times as long for milk, 12 times as long for beef, 16 times as long for a color television, 18 to 20 times longer for poultry, and 180 times as long for a car. With the new price hikes, the required work hours are multiplied by two or three times. Already, one fifth of the population

lives at the poverty line; below it is serious malnutrition.

The government says 85% of the new revenues will go to raising the wages of workers and peasants, but, in fact, most of it will go to the military and other failed state enterprises.

At the same time as the price hikes, the Soviets also cut supposed subsidies to key staple goods, and that's partly why people see this as a pro-market reform. But under state ownership, in effect, all goods are subsidized—not tested by the competitive market. Instead of directly financing production out of the state budget, they do it by arbitrarily increasing the prices for monopoly goods. Again, the Post Office analogy helps. It doesn't matter whether its operations are paid for through arbitrarily high prices or direct state payments. It is still

The main goal of the government is to be as huge and controlling as possible.

owned collectively and is not subject to the test of profit and loss.

The Soviets have yet to attempt any real reform of their pricing system. The "costs," determined through arbitrary plans, are added to the "planned profit." The more you spend, the more your profits rise. So unlike a real market, the incentive is to raise, not lower, costs.

The Gorbachev price hikes were intended to further loot the public, help fund the military, and entrench centralized economic control. Gorbachev also hopes that it will help save the Soviet government from the biggest economic crisis in Soviet history.

Gorbachev implemented the price reform to help pay for its fiscal shortfall. The Soviets expected revenue of 23.4 billion rubles in the first two months of 1991, but got only 7 billion. Nor did the central government receive any of the

48 billion rubles it expected from the republics for a fund to implement the new union treaty. And the official budget deficit is already higher than the figure predicted for this entire year (31.1 billion rubles compared with 26.7 billion).

Three key advisers to Gorbachev began to fear the worst: that the Soviets would not be able to pay the army, dish out welfare payments, or run *nomenklatura* enterprises unless something was done. Finance minister Vladimir Orlov, State Bank chairman Victor Geraschenko, and Budget chairman Victor Kucherenko were so alarmed that they sent a note to Gorbachev saying that "the economy is on the brink of a catastrophe"—by which they mean the insolvency of the central Soviet government.

The deficit may even be much worse than the government admits. Grigory Yavlinsky, one of the authors of Russia's

500-Day Plan, says last year's deficit was nearly four times higher than the official figures, bringing it to 250 billion rubles. The price increases are supposed to remedy this problem.

Why does Gorbachev hail his price hikes as market reforms? First, he wants to impress the Bush administration and the World Bank with his intentions, which can be turned into hard currency. Second, he wants to fool the Soviet people who want reform to a free market. Third, he is anxious to discredit the idea of markets; when this plan fails, he can say markets didn't work.

The main goal of the Soviet government, as with most governments, is to be as huge and controlling as possible. Not until the Soviets understand that big government is the problem, not the solution, and adopt a truly free price system, will they move to a market in fact rather than fantasy. ♦

Handicapping the Economy

By Thomas J. DiLorenzo

The federal government wants to do to handicapped people, the "differently abled," what it has done to other minorities. So it passed the Americans With Disabilities Act.

Policies on behalf of other minorities have given them fraudulent and dangerous public schools, dilapidated socialized housing projects, perpetual welfare dependency, drug-related violent crime, and affirmative-action programs that cause employers to hire only the most privileged minorities, while making less affluent and more poorly educated minorities fall further and further behind.

Like those programs, the Americans With Disabilities Act will burden the economy and do harm, in this case to many disabled people. The only clear beneficiaries are the political demagogues, who do not hesitate to use the disabled as political pawns, and the army of

bureaucrats, social workers, and disability lawyers who will gain wealth and power enforcing and administering the new law.

The new law *requires* nearly every business in America to invest heavily in accommodations for the handicapped. Restaurants must print menus in braille or to provide home delivery service. Theaters must provide "integrated seating"; undertakers cannot refuse to handle AIDS-infected corpses, and there will be pressures to stop undertakers from charging higher prices to accommodate *them* for taking personal risk; retail outlets must widen their aisles, lower their shelves, and employ special store personnel to wait on the handicapped. The list of "mandated accommodations" is almost endless.

During the congressional debates over the bill, there was very little discussion of the potential costs of such mandates, and no estimates were even at-

tempted. All we know is that the costs will be mammoth.

Other aspects of the 1990 law seek to alter employer-employee relations by expanding affirmative action standards to all employers of 15 or more. The law requires employers to provide certain accommodations for handicapped employees, just as other parts of it require businesses to accommodate their handicapped customers.

Such mandated "benefits" are sure to reduce employment opportunities for the disabled. Consider a situation where two equally-qualified employees, one of whom has a physical handicap, are being considered for, say, an accounting position. Even though both employees can perform the job equally well, hiring the handicapped person will be more costly because of government-mandated accommodations. Consequently, the rational employer will not want to hire the handicapped individual.

Government intervention for the handicapped is a political shell game.

Furthermore, as increased unemployment of disabled persons becomes more apparent, the government will institute a system of employment quotas. This will in turn spawn other second-order effects that will also be harmful to the disabled.

In order to fulfill the quotas, employers, will seek out individuals with only the mildest handicaps, which should be easy to do since there are 43 different federal definitions of disability. It will also be in the interest of employers (and of empire-building bureaucrats) to lobby to expand the definition of disability to include more of their current employees (i.e., hangnailism, golfaholism, etc.).

The end result will be fewer employment opportunities for individuals with more severe disabilities, just as affirmative action for racial minorities has benefited more affluent and better educated minorities at the expense of the less affluent and less educated.

The new law will also impose disproportionate costs on small businesses. Any mandatory social welfare policy imposed on employers increases labor costs, and the impact is greatest for

small firms because they have the least flexibility to rearrange their compensation packages. This perhaps explains why many large corporations did not vigorously oppose, or even in many cases supported, the law: it was good public relations, and the Act helps to drive smaller rivals (and potential rivals) out of business.

It would be much more efficient, from the perspective of employers and employees, if government granted tax credits or tax deductions for employers who accommodate their handicapped employees. But in fact, the Americans With Disabilities Act begins to *phase out* the deductions that do exist.

There is an explanation for this. If individuals are free to arrange their lives as they see fit, there are no opportunities for politicians to use the disabled as political pawns. Thus, the advocates of political control of handicapped people ignore, or downplay, the successful ways in which the private sector assists the handicapped; they grossly exaggerate the efficacy of government programs; and they impose taxes and regulations on private-sector employers that make it even more

difficult for them to accommodate their own employees.

Government intervention for the handicapped is a political shell game, and the extreme ambiguity of the law reflects this. In addition to the 43 different definitions the federal government uses to define a handicapped person, there are hundreds more at the state and local levels. With the exception of severe impairments such as blindness or paralysis, economist Carolyn Weaver recently pointed out, "deciding who is disabled is a costly process fraught with judgment and error."

"With ambiguous legal standards," says Weaver, "resources that could have been devoted to the severely disabled or to other valued uses will be siphoned off to creating new jobs for attorneys, medical and vocational experts, and people with less severe or nonexistent disabilities." The general counsel of Health and Human Services says he defends "the most sued person in the universe—the secretary of HHS. About 98% of our litigation is disability litigation." It is difficult to believe that such ambiguity was not intentionally designed. ♦

Book of the Month

Murray Rothbard's *FIPDL* is free this month with a contribution of \$25 or more, or you can buy it for \$7, including postage and handling (U. S. only).

The Institute has just republished Murray N. Rothbard's classic *Freedom, Inequality, Primitivism, and the Division of Labor* with a long, new introduction. And it could not be more timely. Here's a small sample of the politically incorrect material in this book:

"There are virtually an infinite number of groups or classes in society," and it "is easy to invent a new oppressed group. I might come up with a study, for example, demonstrating that

the class of people named Doe have an average income or wealth or status lower than that of other names. I could then coin a hypothesis that people named Doe have been discriminated against because their names John Doe and Jane Doe have been stereotyped as associated with faceless anonymity, and Presto, we have one more group who are able to leave the burdened ranks of the oppressors and join the happy ranks of the oppressed."

Achieving "the label of Officially Oppressed entitles one to share in an endless flow of benefits in money, status, and prestige from the hapless Oppressors, who are made to feel guilty forevermore, even as they are forced to sustain and expand the endless flow.... Eventually, if trends continue the result must be the twin death of parasite and host alike, and an end to any flourishing economy or civilization." ♦



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