

# The Free Market

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## A Tribute to the Statue of Ellis Island

by Richard Maybury

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Today as we enter the 21st Century we should pay tribute to the Statue of Ellis Island. This grand symbol of our government's power and majesty was not always so grand. Only twenty years ago the Lady was a broken, corroded heap of copper and iron. Even her name, Liberty Enlightening the World, was outdated, nearly forgotten, and seriously in need of modernization. The old makes way for the new; it has always been so.

But before we embrace the new—before we enter the next century—let's briefly look back at the long and difficult journey our nation and this Lady have traveled together. We will never pass this way again.

The journey originated in the Middle Ages. During those terrible grim centuries, people were uneducated and they did not yet understand the beauty of political power. Many thought it wrong to have a government empowered to legislate—that is, empowered to make whatever laws appear necessary without regard to moral principles or other idealistic nonsense.

Instead these poor wretches labored under the mistaken assumption that laws should change rarely and only when logically consistent with basic moral principles. A strange legal system called Common Law began to develop.

This ludicrous system was based on the two fundamental laws common to all major religions, philosophies, and other superstitions. These laws were (1) do all that you have agreed to do and (2) do not encroach on other people or their property.

Century after century, Common Law evolved. Government officials knew it was degenerative and they tried to alter or abolish it, but the ignorant common folk clung to their superstitions.

Then during the 1600s shipbuilding technology advanced to the point that many individuals could escape to America, beyond the reach of government. They hoped to live under Common Law only, without benefit of legislative law.

A curious and greatly misunderstood chain of events



Professor Murray N. Rothbard lectures to a Mises Institute class at Auburn University.

then occurred, and these events produced both our country and our Lady.

Since the Common Law changed only slowly, and mostly in ways consistent with the two fundamental laws, Americans found they were able to plan ahead in their work, investment, and trade. Their stable legal environment produced what was known in 1776 as "The System of Natural Liberty." Incorporating what economists call "effective economic calculation," this system was the free market.

For a while the free market seemed to produce considerable abundance for the common people. Poverty declined and America became the most prosperous land ever known.

Then during the 1760s government officials became concerned about our forefather's contempt for authority. They tried to levy the taxes and regulations that would make Americans accustomed to legislative law.

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### ***March Is Rothbard Month***

by Llewellyn H. Rockwell, Jr.

On March 1st in New York City, through the generosity of Mr. Robert D. Kephart, the Institute threw a gala surprise 60th birthday party for Professor Murray N. Rothbard. In addition, we sponsored a conference on his work entitled "Man, Economy, and Liberty," which is also the title of a book of essays Dr. Walter Block and I are editing in Murray's honor.

Murray N. Rothbard was born in New York in 1926. His parents—an oil-company chemist and a newspaper editor—had met at an anti-big government ball, so from his earliest days, he was properly oriented.

He received his BS, MS, and PhD from Columbia University, and studied for more than 10 years under Ludwig von Mises at New York University. (Murray received his doctorate over the protests of Professor Arthur Burns—later chairman of the Federal Reserve Board—who, then as now, was horrified by anti-central bank writing.)

Murray Rothbard is the author of hundreds of path-breaking scholarly articles and many books, including: his monumental *Man, Economy, and State*; *America's Great Depression*; *The Ethics of Liberty*; *Power and Market*; *The Panic of 1819*; *Conceived in Liberty*; *The Mystery of Banking*; and *For a New Liberty*.

A professor of economics at New York's Polytechnic University, he is also the Mises Institute's vice president for academic affairs and editor of our *Journal of Austrian Economics*. Not to speak of being the prime keeper of the Misesian flame.

Murray Rothbard's writing and teaching have had worldwide effect. But like his teacher Dr. Mises, he has had little of the recognition and honors given to his more statist colleagues.

His passionate commitment to liberty, Austrian economics, the free market, and the gold standard offended the academic establishment and its allies in big business and government. But this never cowed or embittered Murray Rothbard, nor hindered his incredible achievements. It only spurred him to work harder for freedom.

This magnificent teacher, writer, and scholar; this untiring activist; this joyous champion of freedom, is unique. His massive and original contributions to economics, history, ethics, political science, law, and philosophy; his integrity, courage, hard work, optimism, and humor; have made him the intellectual leader of the

battle for liberty. We, and all the generations to come, have benefited immensely.

It's not often that we can both do good and confound the enemy, as well as have a great time doing it. This was one of those rare occasions. ■

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Our forefathers became angry and violent. The 1776 revolution brought a split from England, and a new nation founded in principles of Common Law.

Other people around the world saw the abundance of America and assumed this was due to the system of Liberty; they launched their own revolutions. The French were some of the first to revolt, and they did seem to achieve a certain abundance in the wake of this.

#### **Poverty Declined**

In gratitude, they donated the statue of Liberty Enlightening the World to America in 1886. This was their way of saying, thank you for teaching us that liberty is the source of prosperity. As the name implied, the upraised torch was the most important part of the statue.

Of course we all know today that the torch is really quite meaningless. Prosperity has little to do with Common Law, the system of liberty, or any other such nonsense. It has to do with technological and industrial advancement wrought by enlightened government.

This advancement has lain dormant since the beginning of time, and it just happened to awaken, by coincidence, at the precise moment in history when liberty had awakened. This was an amazing accident, and today thousands of scholars working in government-funded research projects, colleges, and universities have been unable to account for it.

Nevertheless, we all know it was an accident. Advancement comes not from Common Law or the system of liberty, but from dynamic, powerful government. In fact, the archaic Common Law has fallen into such disrepute that it is not even mentioned in schoolbooks.

This is a primary reason the Statue of Ellis Island had to be rebuilt and renamed. It was useless, a broken-down structure dedicated to a broken-down ideology.

In 1982 a publicity campaign was launched to solicit funds to rebuild not only the physical structure of the statue but also the statue's meaning.

The Lady's original meaning was absent from the deluge of pamphlets, news releases, and TV commercials. Nowhere was there even one line about Common Law. The

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## Privatization

by Murray N. Rothbard

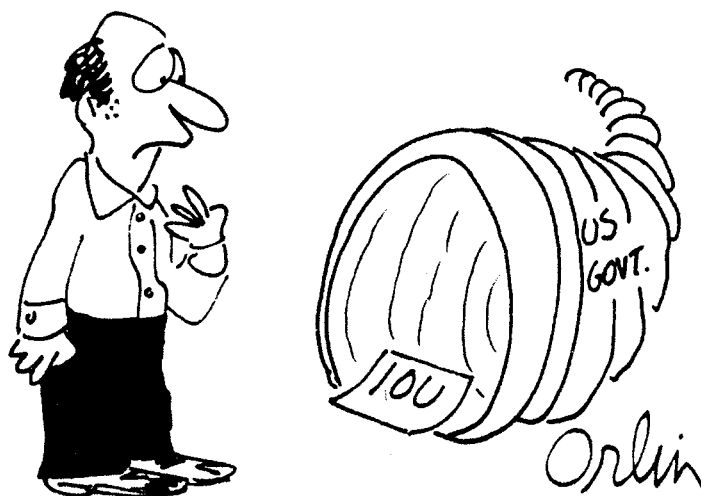
"Privatization" is a new in-term, on local, state, and federal levels of government. Even functions that our civic textbooks tell us can only be performed by government, such as prisons, are being successfully, and far more efficiently, accomplished by private enterprise. For once, a fashionable concept contains a great deal of sense.

Privatization is a great and important good in itself. Another name for it is "desocialization." Privatization is the reversal of the deadly socialist process that had been proceeding unchecked for almost a century. It has the great virtue of taking resources from the coercive sector, the sector of politicians and bureaucrats—in short, the non-producers—and turning them over to the voluntary sector of creators and producers. The more resources remain in the private, productive sector, the less a deadweight of parasitism will burden the producers and cripple the standard of living of consumers.

In a narrower sense, the private sector will always be more efficient than the governmental, because in the private sector income is only a function of efficient service to the consumers. The more efficient that service, the higher the income and profits. In the government sector, in contrast, income is unrelated to efficiency or service to the consumer. Income is extracted coercively from the taxpayers (or, by inflation, from the pockets of consumers). In the government sector, the consumer is not someone to be served and courted, he or she is an unwelcome "waster" of scarce resources owned or controlled by the bureaucracy.

Anything and everything is fair game for privatization. Socialists used to argue that all they wish to do is convert the entire economy to function like one huge Post Office. No socialist would dare argue that today, so much of a disgrace is the monopolized governmental Postal Service. One standard argument is that the government "should only do what private firms or citizens cannot do." But *what* can't they do? Every good or service now supplied by government has, at one time or another, been successfully supplied by private enterprise. Another argument is that some activities are "too large" to be performed well by private enterprise. But the capital market is enormous, and has successfully financed far more expensive undertakings than most governmental activities. Besides the government has no capital of its own; everything it has, it has taxed away from private producers.

Privatization is becoming politically popular now as a means of financing the huge deficit. It is certainly true that a deficit may be reduced not only by cutting expenditures



and raising taxes, but also by selling assets to the private sector. Those economists who have tried to justify deficits by pointing to the growth of government assets backing those deficits can now be requested to put up or shut up: in other words, to start selling those assets as a way of bringing the deficits down.

Fine. There is a huge amount of assets that have been hoarded, for decades, by the federal government. Most of the land of the Western states has been locked up by the federal government and held permanently out of use. In effect, the federal government has acted like a giant monopolist: permanently keeping out of use an enormous amount of valuable and productive assets: land, water, minerals, and forests. By locking up assets, the federal government has been reducing the productivity and the standard of living of everyone of us. It has also been acting as a giant land and natural resource cartel—artificially keeping up the prices of those resources by withholding their supply. Productivity would rise, and prices would fall, and the real income of all of us would greatly increase, if government assets were privatized and thereby allowed to enter the productive system.

Reduce the deficit by selling assets? Sure, let's go full steam. But let's not insist on too high a price for these assets. Sell, sell, at whatever the assets will bring. If the revenue is not enough to end the deficit, sell yet again.

A few years ago, at an international gathering of free-market economists, Sir Keith Joseph, Minister of Industry and alleged free-market advocate in the Thatcher government, was asked why the government, despite lip-service to privatization, had taken no steps to privatize the steel industry, which had been nationalized by the Labor government. Sir Keith explained that the steel industry was

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losing money in government hands, and "therefore" could not command a price if put up for sale. At which point, one prominent free-market American economist leaped to his feet, and shouted, waving a dollar bill in the air, "I hereby bid one dollar for the British steel industry!"

Indeed. There is no such thing as no price. Even a bankrupt industry would sell readily, for its plant and equipment, to be used by productive private firms.

And so even a low price should not stop the federal government in its quest to balance the budget by privatization. Those dollars will mount up. Just give freedom and private enterprise a chance. ■

*Professor Murray N. Rothbard is vice president for academic affairs of the Ludwig von Mises Institute.*

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System of Natural Liberty was not mentioned, nor were, of course, "effective economic calculation" or the free market.

Instead the Ellis Island Foundation accelerated a trend begun in 1903 when Emma Lazarus' poem, "Give me your tired, your poor, etc." was added to the statue. The Lady's connection with her original meaning was severed and she was forevermore linked with immigration and Ellis Island.

One pamphlet, for instance, spoke of "the essential unity of the Statue of Liberty and Ellis Island." It first told the story of the immigrants, then explained that this story "reveals the meaning of the Statue of Liberty." A news release explained the statue had become "closely identified with the great flow of immigrants who landed on nearby Ellis Island."

The chairmanship of the foundation was offered to Mr. Lee Iacocca who, as you know, would later rise from this prestigious position to become the 42nd President of the United States. Mr. Iacocca wrote and spoke at length about his immigrant parents and the way "the project gives us a chance to honor those who came before us."

The publicity campaign even swathed the statue in a mantle of nationalism, and tied its new meaning to the power of the government. The literature spoke of "the national symbol" and "the most powerful symbol." It praised "the grace and power" of this "national treasure," and of "the national monument."

Today as we move boldly forward into the 21st Century, we have as our most important symbol, the Statue of Ellis Island. May we never forget its new meaning. ■



*More of the historic photos donated to the Institute by Professor and Mrs. Murray N. Rothbard. Taken at a 1955 dinner in honor of Ludwig von Mises, these show (top) Mrs. Mises, Professor F.A. Hayek, and Professor Mises; (center) Professor Fritz Machlup and Professor Mises; and (bottom) Professor Mises.*