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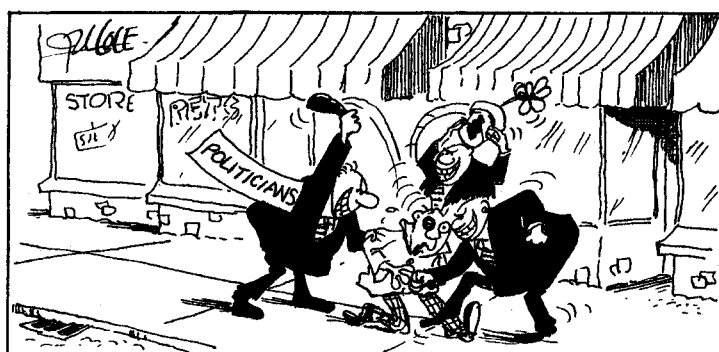
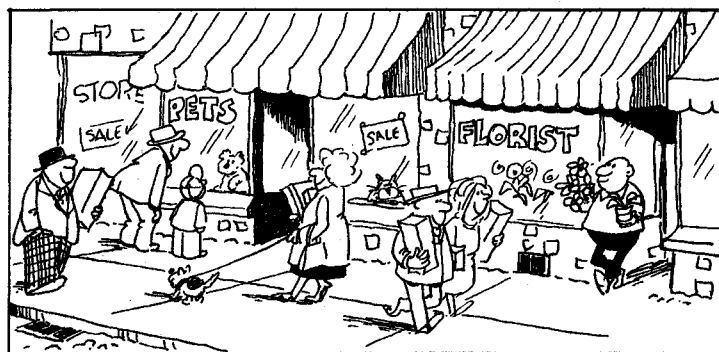
The Two Economies

BY JOSEPH SOBRAN

Certain ways of talking take on a life of their own. In the rituals of habitual speech we sometimes literally forget what we are talking about. We use words in socially plausible patterns but lose the faculty of connecting them with experience. This failing may come from simple mental indolence or from the fear of appearing naive.

I have always been vaguely bothered by an expression we hear all the time in political discussions: "The Economy." For a long time I wasn't sure why this phrase puzzled and annoyed me so much, and I didn't quite dare to object to it, but puzzle and annoy me it did.

I vaguely gathered that "The Economy" was something "the government" was expected to superintend and take responsibility for. But what was this thing—the economy—that also seemed to include and engulf me? Did it mean that the government also controlled my economic fate? It



seemed to go without saying that it did.

The workings of The Economy were also assumed to be an arcane mystery, penetrable only by specialists. These specialists

were known, appropriately enough, as "economists." They often clashed over just what the government should do, but that the answer resided somewhere

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Inflationary Recession, Once More

BY MURRAY N. ROTHBARD

I am by no means a complete "contrarian," but I have one contrarian index to offer as a sound "leading indicator" of recession: every time Establishment economists and financial writers trumpet the existence of a brave new world of permanent boom with no more recessions, I know that a big recession is just around the corner.

It never fails. During the late 1920s the Establishment, led by proto-Friedmanite economist Irving Fisher, proclaimed a "New Era," an era of permanent boom with never again depres-

sions—all because of the wise fine-tuning of that wonderful new institution, the Federal Reserve System. And then came 1929.

During the 1960s we were assured by the Keynesian Establishment that business cycles were a relic of the bygone Bad Old Days of *laissez-faire*: that wise fine-tuning by Keynesian officials would insure a world of continuous full employment without inflation. So sure of themselves were Establishment economists that "Business Cycle" courses in graduate school were abolished.

Why linger in the antiquities of a pre-modern world? Instead, they were replaced by courses in "Macroeconomics" and "Economic Growth." And then bingo! came not only the deep recessions, but the seemingly impossible phenomenon of inflationary recessions: recessions and price inflation at the same time, first in 1973-75, and then the two-humped recession of 1980-82, the biggest and steepest recession since the Great Depression. (In the old days, such major recessions would have routinely been

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Dead Start

From the President



BY LLEWELLYN H. ROCKWELL

Project Head Start is supposed to be the exception to the Great Society rule—a welfare program that actually works. David Broder of the *Washington Post* calls it “the most effective anti-crime and anti-drug program in the nation.” Sen. Edward Kennedy says we should model a “Marshall Plan” in “early education” on it. The *New York Times* calls it the “Great Society jewel.”

Excuse me if I don’t want it set into the national diadem just yet, especially since the deficit reductioners of the Bush administration just granted Head Start a 72% increase to \$2.4 billion in 1992, with scheduled growth to \$7.7 billion in 1994.

The idea sounds plausible, of course. Take pre-school, inner-city children and bridge the income and behavioral gap between the underclass and the rest of society. Head Start would “interrupt the cycle of poverty” with education, medical care, psychological counselling, and food, we were told. Yet Head Start has been a failure, even by the social scientists’ own criteria.

Launched on a budget of \$17 million, Head Start cost almost \$100 million its first year. By last year, the budget was \$1.4 billion, with fewer children enrolled.

In the early years, extensive studies were undertaken to prove the program worked. But the opposite turned out to be true. In 1969, the Westinghouse Learning Corporation found *no difference* in behavior and educational achievement between Head Start children and other underclass kids.

Sixteen years later, the CRS Synthesis Project study, commissioned by HHS, came to the same conclusion. Although children showed “immediate gains,” by the second grade “there are no educationally meaningful differences.”

Head Start defenders now say the purpose of the program is to

improve behavior, self esteem, and nutrition—at \$8,400 per kid over the usual three years. But the same CRS study said there were no lasting differences in behavior. And on “achievement motivation” and “self-esteem,” Head Start children “drop below non-Head Starters a year after Head Start, then score about the same as comparison children for the next two years.”

The CRS study did find that Head Start kids “have higher protein, calorie, and essential nutrient intake than children who do not attend”—because they are given a meal and a snack during the day—but that benefit dissipates after leaving the program. In fact, the only lasting impact, the study found, came as a result of immunization shots.

Head Start has flunked its own tests.

Parental involvement, which is supposed to distinguish Head Start from other welfare programs, is minimal. A National Parent Involvement Study found that only about 9% of parents volunteer even one day a week.

Some proponents say it is insensitive to examine the actual behavior of Head Start children, since this doesn’t take into account the supposed “desire” for better behavior that the program instills (although any visitor to a non-Potemkin Village Head Start center has to wonder exactly what sort of behavior is being instilled). And two Howard University researchers say that Head Start can’t work as long as it’s run by whites who ignore the unique learning patterns of blacks.

Head Start is supposed to help

get families off welfare, but the CRS study shows “increased use of education, health, and social services”—euphemisms for welfare. Thus Head Start, like all welfare programs, teaches dependency.

The Children’s Defense Fund says the main benefit of Head Start is the jobs provided to the disadvantaged—32% of whom are former Head Start children. Once again—as is typical in Washington, Chicago, New York, and other big cities—“employment” in a welfare program is itself a form of welfare.

We *should* help poor kids, but how can a government dedicated to undermining family and individual independence in every section of the population do so? Economic and political theory, as well as bitter experience, tells us that no non-private effort can do so.

Conditions in the underclass have gotten far worse as government has crowded out charity. We could paraphrase Tacitus: they make a desolation, and call it welfare.

How can anyone argue, after six decades of the welfare state, that children, even from poor families, are better off in the hands of state social workers? Or that bureaucrats can teach proper behavior? Hasn’t anyone ever visited a federal office? Miss Manners doesn’t work there.

After 25 years of proven non-achievement, isn’t it time to reassess Head Start and the Bush administration’s giant spending increase for it?

The federal government is broke, and it’s breaking the American people with more taxes. As a result, we all have less money to give.

Why not abolish this program, and give a real head start to taxpayers and the private organizations that actually help poor people? Making the poor wards of the state has only enhanced the state, and hurt the poor. ◀

Writers IN THIS ISSUE

Matthew Hoffman, a sophomore economics major at George Mason University, is a graduate of our Mises University at Stanford.

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The Two Economies

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among them was apparently beyond doubt.

Eventually, with no real study on my part, common sense told me that an "economy" is nothing more than shorthand for a system of producing and exchanging wealth. Economists might or might not understand and predict its general features, but neither they nor the government (with which a suspicious number of them were associated) could claim any particular authority in the basic facts of what earlier generations used to call *mine* and *thine*. In fact a goodly number of modern economists seemed unfamiliar with these quaint pronouns. They tended to think of The Economy as a whole as simply "ours." And when the government tinkered with the flow and distribution of wealth, it was acting on "our" behalf.

Lately I've come to take a different view of the matter. As I see it now, there are really *two* economies—two distinct systems of producing and exchanging wealth. Or rather, two systems that *purport* to do these things, though only one of them really produces anything, and the other is organized by a peculiar form of exchange.

The first is what is called the trade economy—the one summed up in the phrase "the free market." The other might be called "the tax economy."

The trade economy is so familiar there is no need to say much about it, beyond pointing out that its operative principle is consent. Its mechanism is the price system.

The tax economy is something fairly new—to America anyway. A few generations ago the amount of wealth taken in taxes was only a sliver of the country's aggregate wealth. But the government's share has increased to such an extent that it has become a whole separate economy.

I don't mean merely that the federal government, for example,

spends 28% or so of the "gross national product." To my mind, such terms and figures are half-fictitious approximations anyway. I mean that the country and its political order now embrace two rival, incompatible, and inimical ways of gaining wealth. As consent is the operative principle of the trade economy, force (however disguised or displaced) is the operative principle of the tax economy.

Nor am I merely complaining that taxes are too high. I am saying that tens of millions of Americans depend for their income, livelihood, or at least partial sustenance on the use of the taxing power against their fellow citizens in the trade economy. The tax economy, after all, is completely parasitic on the trade economy and produces nothing itself.

The taxing power is no longer used for the modest purpose of exacting enough money to pay for the services government provides impartially for all: defense, police, and so forth. It now constitutes a whole way of life in which some live at the expense of others. Others may approve of this as heartily as I disparage it. But for clarity's sake, we all ought to recognize that the dedication of the taxing power to the special benefit of a large segment of the population does amount to a separate economy, different in principle from the system in which people earn a living by persuading others, without coercion, to buy their goods and services.

It has become clear to most people that the tax economy has a natural limit. Being parasitic, it may eventually destroy its productive host. The argument of supply-side economics a few years ago was essentially that the tax economy was claiming too much for its own good. The supply-side approach was, in a sense, an attempt to reconcile the tax and trade economies by locating a community of interest in lower

tax rates. But this approach didn't challenge the *right* of those who exercised the tax power to take as much as they wanted.

The tax economy is an economy the modern state has created for its own sake. More and more people are implicated in the tax economy and in turn use their votes to ensure that they will continue to live off what is produced by the primary economy of trade. Jobs, pensions, subsidies, grants, and other benefits keep flowing via the taxing power.

And the tax economy keeps adding new categories of recipients. The recent controversy over whether the National Endowment for the Arts should subsidize putatively obscene and sacrilegious art was conducted in moralistic terms; but seen from another angle, it was part of the process of including self-designated artists in the tax economy, rather than requiring them to make their living by the consent of those who might or might not pay for their work. What was established was that the taxpayers could not *withhold* their consent, no matter how strongly they objected to the works they were paying for.

Some early critics of democracy warned that popular self-government would invite citizens to vote themselves money from the public treasury. For this reason, John Stuart Mill and others argued that anyone who received public money should be barred from voting. After all, a voter is, in a real sense, a public official, and a voter who awards himself others' money is no different in principle from any officeholder who embezzles public funds. The availability of tax money for personal gain creates a potential conflict of interest for voters in general.

Far from seeking a safeguard against this abuse, we have come to accept it as normal. What responsible architects of republican

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government saw as a danger, modern demagogues have exploited as an opportunity. Franklin Roosevelt is said to have gloated privately that "no damn politician" would ever be able to dismantle what he called "my Social Security system." It must be admitted that he seems to have been right: Social Security, the cornerstone of the tax economy, is widely regarded as politically "untouchable," even though many or most Americans now regard it with some cynicism.

The beneficiaries of the tax economy are everything the critics apprehended. Both major political parties cater to them; neither dares to challenge them, and there is no sign that either wants to.

The power of the tax economy has distorted our political system. But it has done more. It has also distorted the way we talk and think about politics. "Greed" is now spoken of exclusively as a vice of the trade economy, of investors, merchants, or even people who want their taxes cut.

But the *state* is never accused of greed. There is no limit to what it may take from us. And those who live on what is taken in taxes are never accused of greed either. Greed is virtually identified with the "profit motive." We have no invidious term for the parasitic motive. The state and its clients are all but immune from moral criticism.

The structure of the prevailing prejudices revealed itself in the recent indignation against such Wall Street operators as Michael Milken and Ivan Boesky. To the extent that these men may have enriched themselves by fraud and sharp practices (a matter I can't judge) they are, of course, indefensible. But the glee many pundits took in their downfall had nothing to do with illegal or unethical conduct as such: the real sin of the new tycoons was simply to have gotten fabulously rich. Their immense fortunes

called forth a torrent of old-fashioned moralism about capitalist rapacity. Such is the mystique of the modern state that after a century of enormous wars, and of mass murder even in peacetime, we are still being warned about the dangers posed by Wall Street "robber barons." Whatever the sins and sharp dealings of the less scrupulous capitalists, any sane man ought to see that the homicide rate among them is fairly low.

In fact our political system is guilty many times over of the sins imputed to business. Not only is the state's greed boundless; its ethics are constantly being exposed as corrupt and ruthless. The two-party system is spoken of with reverence, as if two parties, like two sexes, covered all the whole range of desirable possibilities; when nothing could be more obvious than that a two-party system is the next thing to a one-party system, rather than, as we are encouraged to believe, its opposite.

If any two corporations shared virtually the entire market for a product, colluding to set prices and shut out competition, liberal opinion would scream in outrage for state intervention. But when the state itself is in effect divided between two giant corporations, liberal opinion doesn't demur—as long as both parties accept the tax economy as a sacred feature of our way of life.

The two parties have gone far toward eliminating political competition even between themselves. In Congress the prerogatives of incumbency all but guarantee its invincibility: nearly every congressional district is now a miniature one-party system. Elections, notoriously, are becoming empty formalities. Fewer than one congressman in 20 loses a bid for reelection. The low voter turnout deplored by all right-thinking commentators is a perfectly rational reaction to a

game heavily rigged in favor of the House.

And all this is appropriate to a political order in which power is increasingly held and exercised by the unelected: judges, administrators, appointees, bureaucrats of various descriptions. The salient feature of the trade economy is the utter and instant accountability of every seller. The salient feature of the tax economy is the unaccountability of every officeholder.

The ideological justification of the tax economy is its claim that the market is unequal and unfair. But if men in the trade economy are unequal in wealth, they are equal in a far more basic respect: they are equal in *power*, in that no man can force another to be a party to a transaction if he doesn't want to be. Put simply, they are equally free.

In the tax economy, men become unfree, and it is nonsense to dispute whether they are "equal" in their unfreedom. They are all forced to be parties to transactions of the state's choosing. It is also nonsense to say that they lose only "economic" freedom, since what they lose is the freedom to make concrete decisions as to their own future.

The tax economy, insofar as it undermines the trade economy, reduces all of us from citizenship to subjection; the state has power over all of us. Nobody is freer. You are either on the side of the state or you aren't. But in either case, the power is beyond your control.

The tax economy makes us either dependents or defendants: we are dependents if we accept its booty, and defendants, under constant suspicion of "cheating" the state, if we continue to earn our way in the trade economy.

Either relation puts us at the mercy of the state. And this is not a merely "economic" matter any more than slavery is a merely economic status. ◀

Inflationary Recession, Once More

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Looking at the housing market, unemployment, debt liquidation, and many other factors, I am willing to state flatly that we are in another inflationary recession.

called "depressions," but therapy-by-semantics has taken over, and the word "depression" has been effectively outlawed as too...depressing.)

And now, in the middle and late 1980s, the Reaganite Establishment began to assure us that, once again, a new economic era had arrived, that the miracle of the Reagan tax cuts (actually nonexistent) had, along with a more global and technologically sophisticated technology, assured us that there would never be any more recessions, except perhaps some painless rolling readjustments in specific industries or regions.

It was time for another Big One, and sure enough, here we are. Not only has the Establishment forgotten about recessions, but in particular they totally forgot that postwar recessions have been *inflationary*. Combining the worst of both worlds, unemployment, bankruptcies, and declines of activity have been accompanied by steep increases in the cost of living. A half-century of Keynesian fine-tuning (from which we still suffer, despite the Reaganaut label) has not cured inflation or recessions; it has only accomplished the feat of bringing us both at the same time.

Everyone is afraid to use his judgment on whether we are in a recession; it has become the custom for everyone to await breathlessly the pronouncement of the National Bureau of Economic Research (NBER), a much revered private institution which has established a Dating Committee of a handful of experts, who sift the data to figure out when, if ever, a recession has begun. The problem is that it takes many months into a recession for the NBER to make up its mind: by the time it pronounces that we're in a recession, it is almost over. Thus, the steep recession that started in November 1973 was only pronounced a recession a year later; but six months after

that, by March 1975, we were on the way to recovery. Most recessions are over in a year or year and a half. Of course, maybe that's the point: for the Establishment to lull us all to sleep until the recession is over.

The reason why it takes the NBER such a long time to make up its mind, is because it feels that it has to get the precise month of the onset of the recession absolutely right; and the reason it suffers from this precise-month fetish (which, in all reason and common sense, doesn't make a heck of a lot of difference) is because the entire deeply flawed NBER approach to business cycles depends on getting the "reference month" down precisely, and then basing all of its averages, and leads and lags, on that particular month. To date the recession one or two months either way would mess up all the calculations based on the NBER paradigm. And that, of course, comes first, way before trying to figure out what is going on and getting the knowledge to the public as quickly as possible.

Looking at the housing market, unemployment, debt liquidation, and many other factors, I am willing to state flatly that we are in another inflationary recession. What does this mean? It is heartwarming to see some economists welcoming the recession as having an important cleansing effect on malinvestment and unsound debt, paving the way for more rapid and more sustainable economic growth. Thus, Victor Zarnowitz of the University of Chicago states that "it may be healthier for the economy to endure an occasional recession...than to grow sluggishly for a prolonged period," and David A. Poole, economist of Van Eck Management Corp., warns that there shouldn't be a recovery too soon, presumably stimulated by government, for then "the recessionary cleansing process will not have had time to work." Welcome

to Austrian Economics!

But how is the current Establishment [the Bush administration center + Democratic left-liberalism] proposing to deal with this recession? Remarkably, by violating every tenet of every school of thought known to economics: by steeply raising taxes! Every school: Austrian, Keynesian, monetarist, or classicist, would react in horror to such a plan, which obviously worsens a recession by lowering saving and investment, and productive (as opposed to parasitic and wasteful government) consumption. Raising taxes does nothing to help the inflation, and does a lot to make the recession more severe; and it aggravates the deadweight burden of government on the economy.

But wouldn't raising taxes cure the budget deficit? No, it would only give government an excuse (as if they needed one!) to increase the burden of government spending still further. The one thing worse than a deficit, furthermore, is higher taxes; increasing taxes will only bring us more of *both*.

Can't the government do *anything* to alleviate our current inflationary recession? Yes, it can, and quickly. (Never say that Austrians can't come up with positive, even short-run, suggestions for government policy.)

First, to stop the inflationary part of the current crisis, the Federal Reserve can stop, permanently, all further purchase of any assets, or lowering of reserve ratios. This will stop all future inflationary credit expansion. Second, it can cut all taxes drastically: sales, excise, capital gains, medicare, social security, and income (for upper, middle, and lower incomes). Third, it can cut government spending, everywhere, even more drastically: thus cutting the deficit as well as all the other benefits. And that's for openers. You think *Newt Gingrich* is tough? ◀

Odyssey of a Statesman

BY MATTHEW HOFFMAN

The unprincipled *realpolitik* and moral compromise of modern politics are not historical aberrations. But never have they been so widely accepted, even lauded, by the professional pundits. Politicians who raise taxes, kowtow to pressure groups, and lie to their constituents are praised for being "realistic" and for "responsible governing." Compromise is considered inevitable; and ideological consistency impossible, even irresponsible.

In the face of these cowardly notions flies the career of Grover Cleveland, the 22nd and 24th president of the United States.

Cleveland was a prominent attorney practicing in Buffalo, New York, when in 1881 local Democrats approached him to run for mayor. The party leaders who picked Cleveland were seeking to placate a strong reform sentiment that had emerged in the local electorate. A corrupt, bipartisan ring of aldermen had for years controlled the city government, exploiting every opportunity for graft and patronage. The recently nominated Republican candidate was a loyal establishment figure, and angry Republicans had turned to the Democrats in search of a reformer.

The establishment Democrats expected Cleveland to take a fall and silence the reformers, but they had underestimated their candidate. Cleveland was deeply concerned about the corruption that had marred the city government, and wanted to carry out his mission.

He struck his first blow even before he was nominated, demanding the removal of John Sheehan, the treacherous political boss of the Democratic convention, from the local ticket. The party leadership reluctantly acceded. Cleveland then shocked his enemies by announcing that he knew he was expected to lose, but he fully intended to win and

implement his reforms.

His platform was simple. "We believe in the principle of economy of the people's money," he said in a campaign speech, "and that when a man in office lays out a dollar in extravagance, he acts immorally by the people." He made it clear that the Democrats would not be spared from reform. "A Democratic thief is as bad as a Republican thief," he said.

To the surprise of most everyone, Cleveland won by an overwhelming majority, even though the Republican state ticket carried Buffalo easily. Cleveland had achieved a startling victory, defeating not only the powerful Republicans, but the leadership of his own party and the political establishment of the city.

During his single year in office, Cleveland brought the venal aldermanic ring to its knees, blocking every opportunity for graft with a veto. In one incident, Cleveland vetoed a street-cleaning contract that would have cost the city an unnecessary \$109,000. He minced no words: "I regard it as the culmination of a most barefaced, impudent, and shameless scheme to betray the interests of the people, and to worse than squander the public money."

Cleveland vetoed so many bills that he became well-known in the region as the "veto mayor." Soon, reform-minded Democrats were speaking his name. He was nominated for governor of New York in 1882, and without delivering a single campaign speech, defeated the Republican candidate with 58% of the vote. "I shall have no idea of re-election or any higher political preferment in my head," he wrote to his brother on the day of the election, "but be very thankful and happy if I can serve one term as the people's governor."

The "veto governor," as he soon came to be called, was now confronted with a powerful and

corrupt alliance of legislators who would not be as tractable as the Buffalo ring; but Cleveland was unwavering. He vetoed every special interest bill that crossed his desk, without consideration for the political consequences. He rejected attempts to bail out banks and subsidize local governments; he even blocked an appropriation for an orphanage.

In defending the public fisc from the forces of graft and patronage, Cleveland found himself increasingly in conflict with Tammany Hall, a powerful and treacherous Democratic machine in New York City. Tammany controlled enough votes to swing almost any statewide election in New York, including the presidential election; but Cleveland was heedless of the danger to his political future.

After several skirmishes, Cleveland finally broke with Tammany by opposing the renomination of the organization's representative in the state Senate, in a private letter to John Kelly, Tammany's boss. Kelly publicized the letter, and the split became a chasm in the geography of the state Democracy. Exploiting the rift, the Republicans gained a majority in the state legislature in the following mid-term election. Cleveland seemed to have destroyed his political career.

But word of his uncompromising adherence to principle had spread to an admiring electorate around the country. While the controversy of his battles had engulfed him in New York, his nationwide popularity had grown. Despite the vigorous opposition of Tammany, the unstoppable Cleveland was nominated for president of the United States at the 1884 Democratic convention. Against Tammany one delegate shouted that the young men of Wisconsin "love Cleveland for his character, but they love him most for the enemies he has made."

The election of 1884 was one of

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the dirtiest in our history. An independent Republican faction known as the "mugwumps," which believed in limited government, supported Cleveland over the Republican candidate, James G. Blaine. Almost immediately they released copies of private letters from Blaine to various associates, revealing serious conflicts of interest in his political past.

Blaine struck back, claiming that Cleveland had fathered an illegitimate child and had abandoned the mother, a woman named Maria Halpin. Republicans held parades of marchers with baby carriages,

crying in falsetto tones, "Ma? Ma? Where's my pa? Gone to the White House, ha, ha, ha."

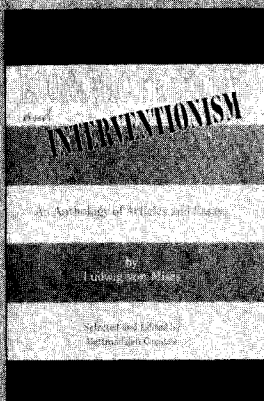
When asked by fellow Democrats for instructions on how to handle the allegations, Cleveland telegraphed a one-line reply: "Whatever you say, tell the truth." He never denied fathering Halpin's child, acknowledging that it was a possibility, and that he was supporting Halpin financially. Later, when Cleveland was offered evidence of scandal in Blaine's private life, he purchased the incriminating documents and immediately destroyed them. "The other side can have a mo-

nopoly on all the dirt in this campaign," he said.

Cleveland won the 1884 election. Although he was aided by the Blaine letters and an anti-Catholic remark made by a prominent Republican, his victory was an astounding historical blow to the conventional wisdom of our day. Cleveland had defied Tammany Hall and the political establishments of his state, vetoed popular bills, and refused to cover up a major scandal. He had broken every rule in politics for the sake of his ideals. Yet only three years after his political ca-

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Book of the Month A New Mises Collection



1990 was the year of Ludwig von Mises. Famous socialists finally gave him his due. His name began to ring out all over Eastern Europe. Kluwer Academics and the Mises Institute published a new collection of Mises's academic work in *Money, Method, and Market Process*. And now Bettina Bien Greaves has assembled 47 of Mises's shorter, popular articles into a handsome 250-page quality paperback: *Economic Freedom and Interventionism*. Written from the 40s to the late 60s, most of the articles are directed to an American audience.

Arranged in four sections—"Economic Freedom," "Interventionism," "Mises as Critic," and "Economics and Ideas"—the book makes it easy to locate what Mises thought about virtually any government policy or economic doctrine.

Mrs. Greaves, a long-time student of Mises's, has collected articles from such magazines and newspapers as the *New Individualist Review*, *American Opinion*, *Plain Talk*, *Mercury*, and *Christian Economics*. Others she translates from the German for the first time.

And every article is a gem. For example, in 1953 he wrote "The Agony of the Welfare State." In this fiery denunciation, he ex-

poses the totalitarian origins of welfarism, attacks the statist management of the New York Subway, refutes "tax the rich" schemes, and announces that "the house of cards built by the 'new economics' is crashing."

In 1959, he wrote "The Soviet System's Economic Failure" for the *New York World Telegram and Sun*, which shows how he stood out from his contemporaries: "socialism failed lamentably in the very point that, according to its own doctrine, is the only one that counts," that is, in helping the proletariat. Thirty years before Gorbachev's *glasnost*, Mises wrote: "The Soviet system would collapse if its victims were to get reliable information about the normal life of the common man in Western Europe and in this country."

In "The Why of Human Action," published in 1949, he reveals why he wrote his great economic treatise: "I saw the forces operating which could not but annihilate the high civilization and prosperity of Europe. In writing my book, I was hoping to contribute to the endeavors of our most eminent contemporaries to prevent this country from following the path which leads to the abyss."

Especially enjoyable is the op-

portunity to see Mises analyzing the books of others. He praises the contributions of Murray N. Rothbard, W.H. Hutt, and Israel Kirzner. Works by F.A. Hayek receive praise, but—more interestingly—severe criticism when Hayek is sympathetic to welfarism, interventionism, and irrationalism. And what a pleasure to read his blast against a high school economics text sponsored by the American Economic Association, which he calls "biased in favor of Communism."

Other articles cover: inflation and the gold standard, business cycles, equality and inequality, taxation and welfarism, price control, regulation, unemployment, and much more. Writing for a popular audience, he is especially lively, and draws from his wide reading in literature, culture, and religion.

If you are looking for the perfect introduction to Mises for a student or nonacademic, this is it. But the scholar should not miss this collection either. It proves once again that the powerful thought of Ludwig von Mises will long survive the trendy and fleeting ideas of his contemporaries. To order a copy (\$17, including postage and handling), see the enclosed form. ◀

Odyssey of a Statesman

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reer began, Cleveland was elected president of the United States.

In his inaugural address, delivered entirely from memory, he promised to continue fighting for the principles he had stood for as mayor and governor. "The people demand reform in the administration of the government, and the application of business principles to public affairs," he said. He kept his word.

Cleveland turned away the army of spoilsmen who sought his patronage, and appointed the most qualified men he could find, regardless of party loyalty. He then turned to the most pressing affairs of state, declaring his support for the endangered gold standard, disposing of a manifestly illegal treaty, and reconstructing the department of the Navy.

During his tenure, Cleveland exercised his veto power as perhaps no other president in history has. He vetoed numerous individual civil war pension grabs, as well as a bill that would have made countless veterans and their families the wards of the state. By August 1886, he had vetoed over a hundred such measures.

In the most famous veto of his first administration, Cleveland blocked the 1887 Texas Seed bill, a \$10,000 appropriation for Texas farmers who had suffered a terrible drought. In his message to Congress, Cleveland said, "I can find no warrant for such an appropriation in the Constitution...a prevalent tendency to disregard the limited mission of [the Government's] power and duty should, I think, be steadfastly resisted, to the end that the lesson should constantly be enforced that though the people support the Government, the Government should not support the people."

By 1887, Cleveland's popularity and success seemed to insure him a second term in office. It was then that he took the stand upon which he would lose the election of 1888.

The federal government's growing revenues had in recent years resulted in an enormous annual surplus. During fiscal year 1886 the gap had grown to \$94 million—27% of total receipts. Many feared that such a contraction of the currency in circulation would harm the economy.

Cleveland, already opposed to the high national tariff as iniquitous and conducive to domestic collusion, decided the only sound way to handle the surplus was tariff reduction. Despite the tariff's popularity and the approaching presidential election, he resolved to make it a central issue in his administration. When Democratic Party leaders

Was Cleve- land our last great president?

pleaded with him to avoid the tariff question, Cleveland responded: "What is the use of being elected or re-elected unless you stand for something?" He proceeded to issue a strong message attacking the tariff.

As so many Democrats had feared, Cleveland was accused of being a lackey for foreign industry. He lost the election of 1888 in the electoral college to Benjamin Harrison, although he won a majority of almost 100,000 popular votes. He had no regrets. "I would rather have my name to that tariff measure than be President," he said.

Cleveland was undaunted by his defeat. For four years he re-

laxed, maintaining his political relationships through a constant stream of letters. He watched as the Republicans introduced and passed the Sherman Silver Purchase act, ballooning the country's money supply and undermining the gold standard. The budget surplus was alleviated by lavish pension bills for veterans.

Four years later he ran again for president, this time soundly defeating Harrison and becoming the only president in U.S. history to serve two non-consecutive terms. Only a few days after his inauguration, a major economic depression began, probably an adjustment to the Republican years of unrestrained currency expansion. Cleveland quickly initiated a special session of Congress, and demanded the repeal of the Sherman Silver Purchase Act. Pro-silver legislators battled for weeks to reach a compromise plan, but Cleveland refused to budge an inch. Finally, the Congress repealed the act.

Cleveland had scored a victory for economic liberty. He had shown that principled statesmanship was not only possible, but politically expedient. Against the temptations of compromise and vacillation he had stood fast and won his battles.

A friend of Cleveland's put it well: "It is true that in the end corruption wins not more than honesty, that there is a public conscience—that all the greed and scoundrelism and prejudice and folly of our political, race, and business sides, massed into one grand desperate effort for control, are not able to stand before the simple weight of an honest man and an upright cause."

Amen. May we learn this lesson from the glorious figure of Grover Cleveland. ◀

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