



Liberty.me

Freedom Is a Do-It-Yourself Project

Jeffrey A. Tucker

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JEFFREY A. TUCKER

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Introduction to Liberty.me

History is shifting in radical ways. Government programs are failing to meet modern needs, but material progress around the world is proceeding without them. The twentieth century of central planning and leviathan control is being left behind, and a new age is dawning. It is a time of individual empowerment, astonishing entrepreneurial achievement, global communications and engagement, and a breathtaking pursuit of new possibilities. These, and not decrepit bureaucracies that ruled the old world, are the driving forces of modern life.

Consider that most of the technologies that define our lives today—smartphones, email, Internet banking, infinite television and radio, instant knowability of nearly everything, global real-time video communication—didn't even exist twenty years ago. They weren't even imagined. They are blessings bestowed upon us through the combined forces of entrepreneurship, risk-taking enterprising initiative, crowd-sourced cooperation, and the disruptive impulse that seeks to make the world anew. And yet they are far more integral to life than any institution created by politics.

We've learned that no institutional structures on this earth are permanent, not even those cobbled together through a century of state imposition and control. We can look back at the writing of the 1930s and see it. They—and this was a global movement—believed that the right form of central planning could improve on what people could create themselves. There were all sorts of theories about what is wrong with the free market, and an equal number of theories about how to fix it. The smartest people in the world would gather and assemble the right resources and accumulate all the necessary power to pound the world into shape.

And yet observe what a mess they made of it. War, debt, political corruption, waste, bureaucracy, wrecked currencies and financial systems, control by unelected elites—every frustration of modern life was born of this ideology of power. And yet there was a fatal flaw. Men and women will not live in cages. They will not be robbed of their volition. They cannot live a life of conformity and regimentation. People are capable of rational

engagement with the world around them and also prepared to outsmart the systems that are designed to control them. The signals that human beings use to make sense of the world—prices, interest rates, cultural cues, rituals of our own making—therefore reemerged and displaced the central plan. In the end, the state cannot administer a jail and maintain total control, much less a full society that advertises itself as free.

And therefore what is called the market—which is really just the composite of choices we make in the material world—has reemerged like grass through the concrete. The Fed controls interest? Not really. There is a second market for making and receiving loans that is insuppressible. The government defines what is and is not money? The market has made a new money out of cryptography that lives in the digital cloud. The government controls healthcare? The market is making new services available. The government controls communications? Forget it: the market has forged a new way that transcends borders of nationality, race, sex, and class.

This is humanity speaking and acting, one person at a time. The results are all around us, and we depend on them from morning to night every day. In the great race between reactionary power and progressive markets, markets have the edge. And this is inspiring a new realization that government is not the essential, civilization-protecting thing we were told it was to be. All over the world, people are protesting against their rulers in whatever way is possible. This represents a paradigm shift away from despotism and toward the assertion of individual rights to control our own property and self, forming social and economic associations for ourselves. With state systems failing in every direction, this is the trajectory of history in a world of global communication and trade.

In many ways, the liberal revolutions of the eighteenth century, which themselves were the culmination of centuries of intellectual and economic progress, were interrupted in the twentieth century with the advent of total war and the total state. No nation was left untouched by this paradigm shift. We went from believing and understanding that societies need no central management in order to function on behalf of their members to believing that societies need an overarching plan and powerful people to implement it. This movement touched every aspect of life: agriculture, healthcare, education, security, technology, family life, and demographics.

Breaking through the regimentation of the barriers all around us requires political action and intellectual work, to be sure, but it must not stop there. In fact, these might be the least effective paths toward real change. Building a new liberty requires taking the bold step of actually innovating tools to

live freer lives. It means creating and embracing new technologies, modes of communication, educational strategies, life paths, and leveraging the new technologies to build bridges out of the status quo and into a better future. This is an essential stage of any giant social change—the stage in which we stop asking leaders to grant us liberty in law but rather take the step of acting on the liberty that is our right.

These are the inspirations behind the radical online community we decided to create. Liberty.me strives to enable a generation whose mantra is “do-it-yourself” freedom, a platform to express and develop their credo. For too long, people have looked at the prospects for liberty as something controlled by powerful people to give or take away. Actually we are learning that the future of liberty is something that falls to the hands of those who believe most passionately in it. This is the source of all progress in our time.

There are many muses behind this project and this book, from the past and the present. Ludwig von Mises provides the economics, Murray Rothbard the ethical drive, Ayn Rand the motive force, Albert Jay Nock the conviction that life works without government, Garet Garrett the eye for the drama of the marketplace, F. A. Hayek the vision of a self-organizing social order, Leonard Read the perception that individuals can create their own liberty, Rose Wilder Lane the intransigent resistance to all forms of authoritarianism, plus a thousand other leading intellectual lights who have prepared the way for a new generation to make real what others could only dream about. And this new generation has been particularly influential in my thinking. The adaptability, the ability to embrace the new, the frenzied and varied pace of learning, the enthusiasm for technology, the creative ways of associating and trading—all these routine habits of the liberty-loving young generation I find to be inspiring.

The time is now to take the idea of human liberty seriously, not only as a political agenda but a life commitment, a value that drives personal ambitions. This is the essential way to make the structures of oppression that have consumed the social order decay as anachronisms and eventually become irrelevant and obsolete. This happens when the institutions we have created serve society more effectively than the decaying apparatus of coercion and compulsion ever did or can do in the future. The state may not go away—as much as we might like it to—but it could become ever less determinative of our fate.

One final point. What I remember most about Murray Rothbard, who was a friend from 1985 until his death ten years later, was his sense of joy. There was something liberating about it. Even in hard and tyrannical times,

he found ways to love life and enjoy every minute of it. He found those ways in the pockets of freedom that exist in all times and all places. He had a way of discovering them and exploiting them in every way possible. He was a free man. We can follow his lead in this sense and actually create the freedom we long for, whether the powers that be cooperate or not.

A special thanks to the uncountable numbers of readers who inspired and improved the essays collected here. In some way, no author can ever really take credit for his or her work; all thought is crowd sourced, all new ideas are extracted from the world around us, and all insights are inspired and tempered by influences outside ourselves. So, yes, many muses are speaking this book. I would like to dedicate this to them and to everyone who has taken steps to make a freer life for themselves and others.

I also thank Laissez Faire Books, the Foundation for Economic Freedom, and the Ludwig von Mises Institute of Canada for first publishing these dangerous ideas.

I

REVOLUTIONARY ENTREPRENEURSHIP

1 The Delightful Merchantcraft of the Shaved-Ice Truck

The truck parked at the end of the block is decorated with bamboo, a Caribbean beach scene, and a shades-wearing penguin taking in some rays. Loudspeakers on the truck are playing impossibly fun calypso music you would otherwise never hear. The kids are lining up for their treat, which turns out to be a cup of shaved ice¹ to which sugary flavors are added at the customer's discretion.

The scene transforms something that seems, by the facts alone, to be mundane into a real experience that people are willing to pay five dollars a pop to obtain. This rolling seller of shaved frozen water in a cup is a mobile production unit of sheer joy—with profits to show for it.

Seems pretty straightforward, right? Well, thanks to a contact in the industry, I'm in possession of that rare thing, detailed knowledge of the way this business works, and it is anything but simple. It employs all the newest technology, a careful marketing strategy, intricate profit-and-loss metrics, and a great deal of entrepreneurial risk—so much so that if only one thing were out of place, this truck could easily disappear from our suburban landscapes.

Obviously the stuff is not difficult to make. The syrups are water, sugar, coloring, and a bit of flavor. The ice in the cup is made with a blade that needs to be changed periodically. The truck is not a small capital investment—it's part of a national franchise—but it is a given once you have it.

None of these investments make money on their own. You still have to find your customers. And customers move. You have to move with them.

Geography is everything. Each day the truck's owners must make the decision about where this truck should drive or park to generate the highest sales. It could be at the public park, a little-league baseball game, outside the school during summer school, outside a church social, at a shopping mall, at

1. Author's note: Technically, it should be "shave ice," not "shaved ice," but language has anarchic tendencies.

a daycare, or somewhere around the pools here and there around town. You have to go where you are wanted and not considered annoying.

If you include neighboring towns within a forty-five-mile radius, you end up with a seemingly infinite number of possible parking and driving spots. One truck can only be in one place at a time.

Every day, then, you must choose a location. It's not an easy choice. It's almost a guarantee that you will choose wrong some days and make virtually nothing, and that other days you get it right and make thousands of dollars. You hope they balance out.

If the course of history were on autorepeat, it would be easier. Whatever worked last week you would do again this week.

But that is not how history unfolds. The little-league game might be packed one day and empty the next. Weather interferes. Vacation Bible school might be crowded on Monday and empty on Tuesday. The birthday party you thought would be a huge scene—or so you were told on the phone by the parents—turns out to be a total bore and a bust. Or the person who called for the truck to show to make the event more fun turns out to have had the wrong date.

Every wrong choice comes with a huge opportunity cost: You lose all the revenue you might otherwise have made from the right choice.

This means that the entrepreneurship must never stop. Every day, you scour the papers for information, looking for clues, drawing on experience and intuition, following up on leads, deciding for or against requests weeks in advance that the shaved-ice truck be at events. This must happen every day. It is a managerial feat that requires maps, logs, speculation, negotiation, and—always—careful accounting.

In the end, the truck owner or manager develops deeply intimate knowledge of the whole community within a wide geographic area. In fact, gathering, processing, and acting on knowledge is the real business here. The owner knows its population flows, its demographics, its buying habits, and its moods in various seasons. He or she must be more alert than the local reporter or the city manager, neither of whom put their livelihoods at stake on the willingness of people to throw down real money in exchange for an icy treat.

You can't both manage this task and also drive the truck. Your drivers are young and inexperienced because, well, those are the people who are willing and able to do this job. But you don't know for sure that they will show up. College students, for example, are a bit volatile that way. So you must always be ready to step in and do the job. They might steal from you, so you have to

learn to be a good judge of character. And you must find employees who are ready and willing to deal with unpredictable population demographics and insults from passersby.

You send them out on their daily mission. You text the driver's smartphone at the start of the day; the address must be precise. It is only the first of several in a day that can last for sixteen hours. The driver pulls the address out of the text and throws it into the smartphone's GPS system, which must guide the person to the right place. These are places that the driver is likely to never have been before. Without that navigation tool and its instant ability to explain where to go, the whole process would be slowed down dramatically. Lost time means lost profit.

There are also mishaps even when the planning is perfect. There was a community-wide movie planned at the public park, and hundreds or thousands were said to be coming. They did indeed come. This looked like a bonanza for the shaved-ice business.

So that that everyone could see the outdoor screen, all the streetlights on the streets were shut down by the city government. That left only one looming light apart from the far-away movie screen: that of the snow-cone truck.

Nature lovers can guess what happened next. Every bug in the entire county came and attacked the truck. Customers got up from their chairs to get a treat, walked to the truck, and saw it covered in bugs. Just to get to the window, they would have had to fight their way through the thicket of insects. That's not so appetizing. The entire event that was supposed to be a windfall ended up as a disaster.

Then there's the problem of fickle customers, who always imagine themselves to be in charge because, well, in the end, they are. One lady at the front of the line ordered her ice with peach flavoring. The peach flavoring had just run out. She started to complain and complain. Others heard her and they too decided that peach was clearly the most desirable flavor. But it was gone. It's this way: people want most what they can't get. That one missing syrup ended up casting a wide sense of despair over the gathered crowd.

It's no secret to anyone in this industry that these businesses pretty well live on the edge of the law. There are different food-handling regulations in each jurisdiction, and an untold number of other regulations for trucks and sales. The time and energy of compliance isn't always worth the cost. There is also the reality that many of these trucks barely get by and find that operating at a profit is all about cash: receiving cash, paying in cash, buying supplies in cash. If you have a candid talk with an owner, you will quickly find that there would be no other way.

Keep in mind that this is an implausible business at its root. You can buy endless treats at the store. You could get crushed ice out of your own refrigerator. You can even buy shaved-ice kits for home use. Or you can do without. The profitability of the operation depends fundamentally on the great illusion, if you want to call it that, that people can obtain fun and joy from buying ice for five dollars. And you know what? They can and do, or else they would not continue to keep this little industry in play.

The value is not in the ice, the syrup, the truck, or the music. It's in the human mind. It takes a certain kind of genius to tap into it and make it real. That genius has been responsible for the creation of a franchise called Kona Ice that operates in forty-one states today, each franchise independently owned but using the brand capital built up over time. Kona Ice is on its way to being a big business, but is there really such a thing? The business really takes place one customer at a time.

Does the customer or the onlooker see any of this behind-the-scenes activity? Not at all. They see a silly-looking truck driving around playing silly music and otherwise think nothing of the trials and tribulations of the enterprise itself, which, in the end, will make no one a millionaire.

Why do people do it? It has something to do with the desire to specialize, to master something, to serve others, to make a go at a business you can call your own, to treat every day as a new day full of promise and hope. It's merchantcraft. And it's a beautiful thing that makes the world a better place.

2 Ground Zero in Crypto-Commerce

There were no cubicles, no executive suites, and no visible hierarchies of power. It was just a large open room with computers and desks, and at each sat a large monitor in the shape of a medieval triptych: a large screen in the middle, flanked by one on each side.

“Programmers like to have several screens running at once,” explained my tour guide.

My tour didn’t last very long, because the office is surprisingly small.

Despite appearances, this is a room in which history is being pushed forward in ways that no one imagined possible even two years ago.

These are the new offices of BitPay Inc. in Atlanta, Georgia, I was there to attend a meet up sponsored by Data Science Atlanta. This meeting just happened to be hosted by BitPay Inc., one of the hottest startups in the crypto-currency world.

Attending the event was an impressive crowd of 150 people, mostly data scientists and code slingers, but also people from the financial industry in Atlanta. They were interested intellectuals and students. Even a Fed economist came. Of course, the entire event was covered in real time, with digital devices posting images all over the Web as the action was taking place.

The presentations began with an overview of Bitcoin, moved to a history of the company (which was founded only in 2011), went on with some speculation on the future, and ended with questions and answers. The atmosphere was pretty jazzy because the pace of development in recent weeks has sent that signal that there is no stopping this revolution.

BitPay specializes in making it possible for any online merchant to accept Bitcoin without having to become an expert. It has benefited lately from all kinds of new venture-capitalist funding, but also from a global broadening of its client base.

Cofounder and CEO Tony Gallippi compared their services to expert installation of home appliances against do-it-yourself projects that take a considerable amount of time and don’t end up working properly.

A peculiar feature of Bitcoin—and a reason why so many people have a hard time wrapping their brains around it—is that it is both a payment system and an emergent money. Those two features are usually separate.

The payment aspects of Bitcoin are the main focus on this company. As Stephen Pair, a cofounder and the CTO, pointed out, Bitcoin is uniquely suited to a digital age. Real property is exchanged, not just a promise to pay, and it is done person to person, without having to go through banks and large institutions. This is crucial for ending the plague of identity theft online. In fact, before I had seen the numbers presented at this event, I had not fully understood what a profound change this really is.

The payment dimension might not seem that important in the United States, but when you broaden the perspective to global commerce, you can easily see it. There are huge swaths of the planet in which you cannot use credit cards at all. Even now, if you try to buy something on Amazon with a home address in one country and a delivery address in another, your transaction is likely to be refused. The antifraud measures have been necessary, but they have frustrated the development of the global marketplace.

It was at this point that it finally struck me: This is not a currency only, or even mainly, for the rich tech world; it is a currency for the world's poor, who are desperately trying to become part of the global division of labor. It allows anyone from anywhere to buy or sell anything securely, privately, and reliably. It suddenly started making sense to me why Bitcoin is so wildly popular in Africa, Latin America, and the outer reaches of the Russian empire.

But even domestically, it is clear that this market is expanding. As of only a few weeks ago, you could pay for anything at hundreds of mainstream merchants with Bitcoin. This is thanks to a deal that BitPay struck with a smartphone application called Gyft. You buy a gift card from Gyft with Bitcoin and the merchant scans the card. The operation takes under a minute.

Personally, it's fascinating to see this happening. It was only a few months ago that people were saying, "Oh, this stuff can't really be money because I can't spend it at Target." Well, now you can. Where are these doubters now? Are they taking back their previous snark?

The payment system benefits of Bitcoin are clear enough, but there is a much broader vision at work here, one that goes to the heart of the development of money itself. Mr. Pair laid it all out in a presentation on the history of money.

Humankind needs money to facilitate trade, and many goods have served that purpose. At the dawn of modernity in the late Middle Ages, precious metals were universally seen as the best tools for this.

But there was a problem with precious metals. Namely, they are really heavy and not very portable in daily use. Thus did banking institutions come along, and with them paper money. Paper money dominated the world economy until the end of the gold standard in 1971. Since then, argued Pair, money has taken a digital form and is backed solely by debt obligations.

The great innovation of Bitcoin—which Mr. Pair regards not as a digital currency, but rather a crypto-currency—was twenty years in coming. There were many attempts to make a new currency, but they faltered repeatedly because of the problem of double spending. A currency should behave just like the real thing, which is to say like gold and silver.

In a question-and-answer session, there were questions about the deflationary implications of Bitcoin. CEO Tony Gallippi understood immediately what the questioner meant. The usual belief is that a currency rising in value incentivizes hoarding and makes business impossible. He doubted that this was true because his experience so far is that people spend Bitcoin more when the exchange rate value is rising.

For my part, I asked about why Apple's operating system has been so slow to integrate Bitcoin into its payment apps, and they knew exactly what I meant. In this room full of programmers, there was a widespread groan at the very mention of Apple. Its tendency to roll out only near-perfect software even if it is out of date doesn't sit so well with a crowd that lives on the edge.

I next asked about something I've found curious when I use Bitcoin. I begin to think in terms of a new pricing system and sense a real change of psychology. The CFO stood up and made some joking comments about how he looked forward to the day when all companies can keep their books in Bitcoin.

There is something especially dazzling about being around real pioneers of this industry, entrepreneurs who are making it happen. Mr. Gallippi provided some insight into the challenges they face. He said that they worked on the code for their plug-in for a very long time before releasing it. They knew with absolute certainty that the best features of their plug-in would be immediately copied by competitors upon release.

So they prepared to develop and move faster than ever immediately upon release. The first-mover advantage is, indeed, an advantage, but it doesn't last. You have to “go, go, go”—in Mr. Gallippi's words—the minute you release.

This insight has some interesting implications for those who say that patents are necessary for enterprise. Actually, patents and other forms of “intellectual property” mostly serve as a license for laziness. Supercompetitive

businesses know that they can't rely on them and can't depend on them at all over the long term, and that the only way to make a market is to work harder, smarter, and more relentlessly than anyone else.

And what are they working toward? The goal is simple: to build a better currency as a means to a better world. There is a beautiful idealism at work here, the kind of thing that people look for from charities and universities. Actually, the world of commerce on this level represents an embodiment of this idealism.

Crazy? Yes. Crazy enough to change the world.

3 Does Innovation Require the Patent Office?

Two years ago, I spoke to a gentleman who had started and sold four companies. He was currently working on a new project that sounded very promising (for all I know, he has already sold that one too). We had just heard a talk in which the speaker told people that the whole key to business success in our time is patent ownership. Without it, no business can really succeed.

So I asked this gentleman what he thought of the talk. His response was quick (I paraphrase here):

I've never once bothered with patents. They are expensive and pointless. They produce no revenue on their own. They sell no product or service. And they harm development by hemming in a company on a preset track. I need to be able to customize offerings and change what we do day to day. Patents bias a company toward old solutions even when they don't work anymore.

That's an interesting perspective. And it raises the question: How much do patents have to do with innovation in the real world?

As much as we hear about patents, we might suppose there is some sort of direct link between them and the innovations we enjoy in our lives. Someone invents something and shows the plan to a bureaucrat. The exclusive license is issued, and away we go.

Economic historians have usually assumed a direct link between patents and innovation, basing much of their chronicle of history on records at the Patent Office. Much of what we think we know—that Eli Whitney invented the cotton gin, that the Wright brothers were first in flight, that Thomas Edison holds the record for inventions because he has the most patents—comes from these records.

But is it true? Most patent holders assume so. They cling to them as a source of life and defend them against all encroachment. Some businesses build up their war chests with patents as purely defensive measures. The more you own, the more you can intimidate your competitors to stay out of your territory.

So how important are patents in generating innovation? The answer is not much, according to four economists from the Technical University of Lisbon. They are circulating their research on a platform sponsored by the St. Louis Federal Reserve. They looked at the best innovations between 1977 and 2004, as listed by the R&D awards in the journal *Research and Development*. They matched three thousand innovations against patent records to establish the relationship.

Their findings are remarkable: Nine in ten of the innovations were never patented. They were just created and marketed, and changed the world. In other words, it's the market, not the bureaucracy, that innovates. The authors grant that there might have been downstream versions of the same innovations that were patented. But that fact actually doesn't change the implications of the study, namely that there is no relationship between the existence of the Patent Office and direction and pace of innovation.

As you dig through their citations, you find other nuggets of information. It turns out that other researchers have found the same thing in early parts of the twentieth century and even all the way back to the middle of the nineteenth. The results keep coming up the same way: There are patents and there are innovations, but they have little or nothing to do with each other.

These results are a classic case of the huge chasm between pop science and real science. In the pop version, people imagine that they will dream up some idea, file a patent, and then bring it into production and become a billionaire. The reality on the ground is that 90 percent of patents go completely unused. They are suitable for hanging, but not much else.

The patents that are actually in play in this world are used as weapons by big shots to hurt their competitors. They don't cause business to succeed; it's the reverse. The bigger the business, the more it is in the market for patents to help the big business hold its place in the market. They prompt lawsuits that go on for years that are eventually settled with an exchange of cash. Meanwhile, rather than actually fueling the innovative process, they put it on hold. So long as a patent is in existence, other innovations are legally bound not to do what they do best.

The software industry is an excellent case in point. In the 1970s and 1980s, patents were rare to nonexistent. Companies made money by making stuff and selling it, just as free enterprise would suggest. Then, the industry grew. People like Steve Jobs who once touted that talent for stealing the ideas of others began threatening other companies with lawsuits. Young programmers today know for a fact that if they ever come up with anything that threatens a big player, the small company is going to be hammered.

Two parallel streams of innovative software strategies have been running over the last ten years: (1) highly protected and (2) patentless open-source. Apple and Microsoft represent the patented style. Google is much more inclined to the open model. Companies like WordPress reveal their code to the world and make money in other ways. A good test case comes from the big smartphone war between Apple's iOS, on the one hand, and Google's Android operating system on the other.

The consensus today is that Android is winning hands down in terms of new users. The open-source system is roaring ahead with more than half the smartphone market already and a growing percentage of the tablet market. In terms of moneymaking, the app economy of the iOS is actually doing much better. But consider that it had a huge start, whereas the Android came much later. My own impression from dealing with both is that Android is moving ahead in every area fast.

We need to rethink our assumptions about the role of patents and innovations. If they have nothing to do with each other, and if patents actually dramatically slow down the pace of development, why not get rid of them altogether? That's exactly what many of the old liberals of the nineteenth century pushed, and the case is further bolstered by Stephan Kinsella's *Against Intellectual Property*.

Government planning never works. Laissez-faire isn't perfect, but it provides the best chance for innovations to appear and thrive and for prosperity to result. The lesson for anyone with a business idea: Run with it and don't wait on a bureaucracy.

4 Smart People Share

For young people facing terrible job prospects and a generally bad economic environment going forward, starting a business sounds very appealing. It has advantages over embedding yourself in a big institution, taking your wages in forms of benefits, and hoping (against hope) to climb the ladder.

It's never been easier to strike out on your own, except for one thing: Commerce is always harder than it appears. Success means overcoming challenges that seem insurmountable and that you never expected.

People write me all the time with business ideas, asking my opinion and some guidance going forward. Such guidance is almost impossible to provide. Also, giving advice is always dangerous. If the person takes it and flops, you are to blame. If they don't take your advice, you will probably still be blamed.

And there's another substantial reason that it is dangerous to offer entrepreneurial advice. Decision-making in commerce depends on too many variables of time and place, and it is impossible for an outsider to know them all well enough to provide consulting.

Still, I'm going to venture some broad advice that doesn't depend on any particulars. It is this: Originality is overrated. Instead of trying something completely new, you are far better off copying someone else's successful idea and customizing and improving it to suit the needs of a niche that you know best. Emulation is a better path to success. In fact, it is the only proven path.

This advice grows out of a lesson from the history of invention: The idea of the sole creator, the great innovator who came up with something entirely new that shattered an old paradigm, is a romantic idea, but is actually a complete myth. In the real world, innovation takes place over the course of tiny steps through the trials and errors of many people working in the field.

One reason we believe the myth is the menace of patent records. They have names attached to particular inventions and list no credits to those who came before, those who were working simultaneously on the same invention, and those who came after and improved it to make it actually serviceable and usable. These patent records are a major reason why we believe the myth of the sole creator.

The Wright-brothers myth is the favorite American story. It's not entirely a myth that they were the first to accomplish a manned, controlled, powered, heavier-than-air flight over a substantial distance. But engineers the world over had been making progress in this direction for the better part of a century.

In fact, the most famous photograph of the first Wright brothers' flight could have been taken in many countries over the previous fifty years. For this reason, the newspapers refused to even report the now-famous event because it seemed like no big deal.

The innovation of the Wright brothers was actually quite marginal: a method for steering that allowed the maintenance of aircraft equilibrium. That's significant, and it made a huge difference, but the patent alone would seem to imply that they depended not at all on the hundreds of others who had been making advances in manned flight.

Their patent did terrible damage to innovations in American flight after, as the litigious brothers hampered American engineers in their ability to improve the airplane, while engineers and entrepreneurs in European countries made much more rapid progress over the next ten years. That's the secret legacy of the Wright invention: It dramatically slowed down progress in flight technology.

The myth encourages would-be entrepreneurs to think about innovation in an entirely incorrect way. Another example of godlike innovation that I've always heard is the case of Albert Einstein, whose equation $E = mc^2$ caused the entire world of physics and philosophy to be revolutionized. Until now, I've never really questioned it. Maybe Einstein was, indeed, the great outlier in history, a rare case in which a single individual brought about a quantum leap.

Well, an article in the *European Physical Journal* says otherwise. It turns out that Einstein, too, must share credit with others. Stephen Boughn of Haverford College and Tony Rothman of Princeton University say that Friedrich Hasenohrl of Vienna deserves as much credit, given that he came stunningly close to discerning the same insight. Further, it was Max von Laue of Germany who gave the theory its legs by showing the equation was true not only for electromagnetic radiation, but for all forms of energy.

The point is not to take away from Einstein's achievement or brilliance, but simply to observe that progress in knowledge is dependent on learning from others and hardly ever (maybe never!) takes place in gigantic leaps.

It's the same with business. The software industry grew and improved through small increments of change. It was the same with the telephone,

steel, electricity, steam power, telegraphy, printing, and every other invention. The patent trail is highly deceptive, chronicling only those who raced to the government office and filled out the right paperwork. It is not a record of those who deserve credit for the progress of humankind.

Innovation is dependent on emulation. Emulation is dependent on learning. Learning is dependent on access. And this is precisely why there is great reason to be wildly optimistic about the prospects for innovation now and in the future. Despite government regulations and ever more attempts by the powers that be to freeze the world in place and even roll back progress, progress will not be stopped.

The reason is the explosive advance in online learning and the sharing of information. This has always been the precondition for social advance. The Internet has completely revolutionized our capacity to learn from each other, which I regard as the most bullish sign for the state of humanity that I can imagine.

Consider just one learning platform: Coursera.org. This platform allows anyone in the world to enroll in the world's greatest college courses for free. If you take a minute to look through what it offers, one wonders why anyone pays for college at all, unless they absolutely have to. The education is right there, which is why in its short life, the website has already enrolled 2.4 million students who have taken 214 courses from 33 universities.

The knowledge capital of civilization is taking flight as never before.

What does this have to do with starting a business? Commerce is all about serving others. The making-money part comes only after the service part is in place. To do that requires absorbing and processing information from wherever you can find it, copying those who have already done this successfully, and then making a tiny improvement that puts the enterprise over the top.

Oh, one more thing: In a world of universal knowledge distribution, you can never stop improving. Your competition is always watching and copying you. This is the life of business: total dedication to making unrelenting progress in the service of the wants and needs of others.

Contrary to what you might have heard, that's what capitalism is all about.

5 Entrepreneurs Are the Good Guys

Why is business so often scapegoated for all the problems of society?

The term scapegoat comes from the Bible and refers to the goat cast out of the community as part of a purification ritual. Perhaps when people saw that lonely goat walk away and probably into its death, it made them feel better about themselves.

Weird, right? We don't think that way today. Except we do.

The scapegoat since the 2008 financial disaster has been the business sector in general. The anticapitalist frenzy started with a justified hit on the financial elites who benefited from the bailouts. But inevitably, public wrath turned against anyone trying to make a buck.

The caricatures have been absolutely brutal. Every corporation is criminal. All rich people are thieves. Wall Street is nothing but a racket. Every entrepreneur is a con man. The driving motivation of all business is greed.

And so it has been for five solid years. The public sentiment has made the whole of commercial society very nervous and paved the way for more government intervention and taxation.

Those who know something about real-life business watch all of this with stunned silence. Are people really all that clueless about how hard it is to make a buck in this world?

It turns out to be very difficult to come up with ideas for goods and services that people will accept in exchange for money. It is even more difficult to take in more money than you spend in order to provide those goods and services. And there's an even-more-difficult step: You have to compete with everyone else who is trying to do the same thing. This competition has a tendency to drive whatever fleeting profits you make to zero.

It is a common error to believe that entrepreneurship consists of coming up with one good idea and making one good judgment. Nonsense. Good judgment is a daily requirement. It affects everything you do from product development, research, inventory decisions, and employment to marketing. A bad decision tomorrow can negate all the good decisions of the last month.

Risk is inescapable. You bear it all; the consumers bear very little or none. Then there's the uncertainty. No one has a crystal ball on what the future looks like. It doesn't matter how big or how allegedly mighty a business is. It can never escape the curse of the dark glass that clouds the future.

The only way to accomplish this is to be wildly attentive to unmet needs in society, to be super attentive to accounting details, and to always be prepared to improve in your service to others. As for greed, anyone can be possessed by it—rich or poor, public or private—but it makes no real contribution to business success. Ramping up greed only tends to cloud judgment.

The truth is that the commercial life is one of implausible self-sacrifice. It is a life of instability. You never go to sleep at night fully relaxed and you never wake with absolute confidence about what the day will bring. Every day brings changes and events that defy expectations. This tendency instills a level of humility in the commercial world unknown in politics or academia.

But what about the wonderful profits? Well, if they are there at all, which they are not most of the time, the true capitalist is actually rather cautious about how they are used. We often hear about the “profit motive,” but I doubt that this phrase means much at all. Profits are never certain, nor do they last. They can't be the sole reason that people enter business life.

What function, then, do profits serve? For the entrepreneur and the capitalist, they serve a symbolic value. They signal that the enterprise is on the right track. They are the sign and the seal of a job well done. It's not about the money as such; the profits are an indicator that helps guide decision-making, ratifying the good steps of the past and pointing toward a possible plan for the future.

Once you begin to understand the real nature of business, you have to wonder: why the heck does anyone do this? It comes down to a personal passion, the desire to make a difference. It's a vocation, a calling, a special flame that appears in the hearts of a certain class of persons. It is not universal. But neither it is possible to entirely extinguish.

A free and prosperous society should marvel at the accomplishments of its businessmen and businesswomen. These are true public servants, people who endeavor at great personal sacrifice to drive history forward and grant the human race a greater degree of material prosperity tomorrow than it enjoys today. These are the people who really keep hope alive.

Yet . . . as if to perform some ancient superstitious ritual, what do we do? We throw a rope around their necks and drag them out to the desert. They are the scapegoats.

It was my rare privilege to catch up with one fascinating young entrepreneur named Trevor Koverko, who is in the early stages of putting together an Internet startup called eprof.com. In this interview, he tells the inside story of the sacrifice, the work, the dream, the disappointments, and the incredible vision that it takes to make something like this happen.

There might come a time when this young man's website will be as popular as Amazon or PayPal. Becoming just another website that everyone uses and all people take for granted as if it had always been there. No big deal. In the end, it'll be just another successful business, and surely the entrepreneur behind the thing deserves no special adulation.

6 A Seemingly Impossible Business

Well, it finally happened. Men's Wearhouse has pushed out its own founder and famed spokesman George Zimmer. He owned 3.5 percent of the company stock but was not in a position to object. It's the end of an era—the closing of twenty-five years in which this wonderful entrepreneur built a fantastic company. Let's reflect on what made his approach so great.

To many men, buying clothes is painful, like going to the dentist. Most guys would be happy to wear jeans and a sweatshirt all the time—stuff you can buy at the thrift store or a big box on the fly. Anything else seems too feminine, fussy, or just embarrassing. Most men feel a bit ridiculous being too dressed up and also more than a bit uncomfortable. Plus, to persuade them to take off time from work, sports, golf, and general lounging and instead actually shop for clothes requires a special touch.

This is why I've dedicated this piece to understanding a company I've really come to admire, Men's Wearhouse. It is a paragon of retail success and reveals just how tricky and ingenious the world of marketing can be. It is as important as the products you are selling, because, as it turns out, it is not the case that “if you build it, they will come.” On the contrary, you must find a way to get them in the door. It is thereby useful to consider how this company has been able to succeed where so many fail.

Even in my own town, I've seen attempts to specialize in men's clothing start and flop many times. The salespeople sit there with nothing to do and the suits gather dust until the place finally shuts its doors.

Apparently, Men's Wearhouse has found that special touch, the marketing savvy to push good-looking clothing up the value scale of male preferences from way down low to number one. That is amazing.

The company was founded in 1973 and has made huge inroads over the last 10 years to create 1,200 stores today. It is a case study in how successful business is not just about offering stuff for sale that people want. It is about figuring out how to make potential customers really want the things you are selling. You have to make the market happen, not merely find it and fill it.

So how did Men's Wearhouse do this? Look at its competition. There are department stores, which (again speaking from experience) men especially loathe. There are the big boxes. But among stores focusing exclusively on menswear, you have places like Brooks Brothers, its discount knock-off Jos. A. Bank, or places like Burberry where you feel like you have to affect an accent to fit in. The marketing ethos in these places suggests the need to upgrade your wardrobe, be respectable, be professional, be presentable, look wealthy, and change your values. The clothing itself is rooted in a kind of fashion avoidance: the English gentleman as the safe choice to suggest accomplishment and overall decency.

That's obviously effective to some degree and among some people, but these stores fill a niche and they don't quite reach the common man. Everyone needs clothes and everyone needs to dress up from time to time. Surely there is a path to success here. That "everyone" market is what Men's Wearhouse has captured.

It was a long time coming. Only twenty years ago, this company served its own niche: an urban population looking for formalwear at discount prices. It placed its stores in low-rent areas. Designer labels on the racks were not common. It offered dress-up glitz on the cheap. But gradually this changed. It broadened its market, changed its offerings, and redefined its strategic vision. The stock price reflects that change and confirms its effectiveness, even through the rough waters following the 2008 recession.

The commercials feature the founder—the bearded, groomed, and yet slightly gruff George Zimmer (significantly: an older man, a father figure)—speaking in plain terms: "You're going to like the way you look. I guarantee it." This direct promise from the guy at the top seems to tap into the masculine sense of an eye-to-eye bond. As he told *Businessweek* in 2004, "I have more credibility than a hired actor."

And notice that his statement is not that "others will like the way you look"; instead, it is about you. It is personal. This plays right into the individual sense that many men have about what they wear: It must please them as individuals; they are not going to get dressed up to play some role or to please others.

Plus, Zimmer himself has a plain way of talking. It's not effeminate and it's not about fanciness or fashion. He seems like he might otherwise be hunting or following the sports page were he not making a commercial. His demeanor puts the typical male ego at ease. He is not going to be dressed by some milquetoast but by a real and regular man who shares his values.

Notice the name of the store. It is spelled “Wearhouse,” but it sounds like “warehouse.” Warehouses are places that some guys think are pretty great, places with trucks and boxes and storage. The term also suggests the absence of fuss and decor. It is just stuff and that’s all. Chalk up another point for attention to the masculine sensibility. And notice the logo: It is not at all fussy. It is spelled in black in all capital letters, as if no ad company was paid to do anything fancy. It is just the plain thing and nothing more.

What’s most surprising is what you find when you walk in the door. It is not a warehouse. It is not plain. It is not cheap. The racks are filled with premium designer clothes—big-name suits at above-market prices. It’s not unusual for a suit to run \$650, which is pretty expensive by today’s standards. What’s inside is perhaps the opposite of what you might expect from the outside. Certainly there must be high margins here, and that helps the company’s business model.

My theory on the high prices: Most men do not shop for clothing regularly, so they don’t have any sense of what to expect. They certainly don’t want to hop from store to store. It’s enough of a pain to go to one store. Once in, they accept the prices as a given and the ego tends to keep customers from showing shock. And since they are there already and have no interest in price comparison, they are willing to pay extra to avoid search costs.

And why the designer labels like Kenneth Cole and Calvin Klein? These provide extra reassurance that the clothes are acceptable, prepicked, and already vetted as being the right thing to wear. The labels help to relieve men’s insecurities. In fact, this is the purpose of designer labels in general: to help overcome consumers’ fears of their own ignorance. As for styles, when buyers go to market, they have thousands of styles to choose from, but the buyers for Men’s Wearhouse know their stuff. They’ve chosen blues, blacks, and grays.

All men need clothes, right? Seems like a snap, an easy business proposition. It isn’t, not in a world in which covering yourself can be done by scouring thrift stores or picking up some rags from the discount mart. The real genius is putting today’s average man in designer suits that cost many hundreds of dollars.

This takes some doing. It takes finding (or intuiting) that special button to push inside customers’ heads and hearts. There’s genius in doing it well. And as with all marketing, it all seems obvious in retrospect. The market economy is always tending toward ever-greater expertise in meeting human needs, even ones we didn’t know we had.

This is the genius of capitalism, wrote Ludwig von Mises: its principle of marketing. It is mass production for the masses. It was only a few generations ago that women would save their flour sacks to make dresses and men would have one or two changes of clothes to their names. Now, we face a bounty thanks to people like Zimmer. Yet we still have to be sold. And the men are buying at last.

Zimmer is out of the business now, but he leaves a lasting mark. His enterprise changed our culture and changed the way we think about a fundamental human need.

7 How Business “Recesses” Itself

There’s a jewelry store in town with a long tradition, a devoted client list, and a good record of solid profitability. But during the last year, it’s moved around like the “oldest established permanently floating crap game” from the musical *Guys and Dolls*.

It was downtown. Then it was not. It was reestablished on the other side of town, in a low-traffic area where people couldn’t find it. Then, fourteen months later, it moved back to its old location.

Why? It was all about remodeling and renovation. The original building had been added to and added to until no more substantial changes could be made. The owners decided to “bite the bullet,” as they say. They made the choice to level the old building completely and start again with a new design, renovating the whole thing over from the ground up.

I spoke to the owner at length about the decision. He knew it would mean dramatically lower profitability over the course of fourteen months. They would be spending vast sums on the new structure. The revenue would collapse. They knew all of this, making their decision a fascinating choice. One reason they chose a temporary location in a low-rent area was precisely to save as much money as possible during the transition. They also stopped adding to the inventory.

It is a tricky calculation, one that is possible only with intimate knowledge of the business, the venue, the expected revenues, the seasonal changes, the permanent costs of the business, the cost of losing some customers in the intervening period, and much more.

Did the gamble pay off? The owner is cautiously optimistic. The new store is gorgeous. It is back at its prime location. There seemed to be a lot of shoppers when I was there (but shoppers are not necessarily buyers). The revenue declined hugely and dramatically during the transition, as expected. But the revenues have been notably impressive since the reopening. However, it could be five or ten years before they know for sure whether it was the right thing.

What's more, there is no real way to prove cause and effect here. There is no status quo against which to compare the new reality. There are no control groups. You can only imagine counterfactuals and speculate. This is because business is not like natural science. You can't just hold all things still and change one variable, much less repeat the experiment. The flow of life is forward, and an infinite number of things are constantly changing.

But consider what's going on here. The job of business is to make a profit. The company was making a profit. They decided to set aside current profits in the hope that more profits would emerge down the line. In other words, you have a business here that set out with deliberation to put itself into a recession. It traded current growth for the hope of future growth down the line.

If you think about it, businesses do this all the time. Next time you are in a hotel with construction work, think about this. The jackhammers, dust, plastic sheets, plywood, hammers, and the rest are extremely annoying to customers. We walk in with grit in our teeth. The signs saying "Please be patient with us; we are growing" hardly compensate.

I was at a hotel two years ago that had machinery so loud that I had to practically yell at the clerk so that she could hear me, and she had to yell back.

Thoughtless people imagine this is just incompetence. Hardly. A hotel exists to serve its customers. That's the reason they are there. If you aren't happy, they don't make money. Construction is really a catastrophe for a business like this. It is something they undertake only if they are darn sure that the payoff, and then some, will come later.

Again, this is a very tricky calculus, one that requires vast experience in the industry, intimate knowledge of the market, and a solid sense of what the future holds (or might hold). In these cases, too, they are dealing with something pretty amorphous: the extent to which a new design and new decor are going to make the space more attractive to customers than it might otherwise be.

Mistakes are made, to be sure. But they are borne by the business, not society at large. Private property and private decision-making are preconditions for such difficult management decisions.

Imagine if you were somehow appointed as the head of an entire economy. And let's further suppose that you had a strong sense that the most important thing was to economize on resources and you were dedicated to this task. It is very unlikely you would make the decision to redesign, remodel, or reconstruct anything ever. So long as businesses were profiting, more or less, or just functioning well enough, you would be likely to just instruct them to keep doing what they were doing.

Real life is different. Private businesses deliberately put themselves into microrecessions all the time. They know they must do this in their long-term interest. They trade in profits now, accepting a lower rate of return for the hope of greater profits later.

Another example is Wii, the computer gaming company that was all the rage in the late 2000s and then felt the hot breath of several competitors at its back. It went into hibernation for a year or more in the hopes that a new generation of their hardware would grant a competitive advantage in the future.

Wise individuals do this, too. People forego current income by going back to school, for example, in the hope that they will add to their personal capital stock and earn more later. If they are smart, they think seriously about the opportunity costs of these kinds of decisions.

Two years of school could cost forty thousand dollars. At the end, you are out forty thousand dollars, instead of being up, say, eighty thousand dollars. You have to imagine that you are going to earn that income stream back over the coming years, enough to compensate for the missed income and earn more down the line than you otherwise might have.

Government is constantly urging people to do the opposite. I have a memory from the weeks after September 11, 2001, when President George Bush was nudging, urging, and even demanding that people spend more money. He knew that economic hard times were coming, but instead of suggesting that people do what is in their best interest, he demanded that people do the opposite—on the theory that what might seem bad for you is actually good for society.

Something very similar happened in 2008. The same guy again got on national television and told everyone to go out and spend, spend, spend. It was a very strange thing. For most of American history—New Deal excepted—even government officials understood that sometimes you have to go through recession in order to experience greater growth down the line. You have to trade off benefits in the present to get greater benefits in the future.

This didn't happen after 2008. The liquidation has never occurred. Instead, the banking system, the real estate markets, the financial system, and the federal budget have all undergone dramatic change in order to support the theory that every bit of benefit needs to be squeezed out of the current system, rather than ever permit it to pull back a bit pending a better future. The result has been a terrible stagnation, the piling up of ghastly debt, and an utterly broken financial and banking system.

Why does government do this? Two reasons stand out. It doesn't really own anything in a real sense. It loots us and passes out the proceeds to friends. Officials bear no personal responsibility for what they do. Second, government has no local knowledge at all to compare the returns of the present to the returns of the future in any plausible sense. All the incentives of government are to extract every bit of blood from today's turnip, regardless of what that means for the future.

This should be a heads-up for individuals. Government doesn't want you to ever enter into a privatized and personal recession. It tries to convince you that what might seem bad for you now is actually—strangely and through some mystical metamorphosis—good for everyone, including you, later. Under this assumption, the whole of society, including you, is run into the ground.

The great lesson of the liberal revolution of the Age of Enlightenment is that what's good for individuals is good for society. Politicians and bureaucrats deny that truth every day, but you and I don't have to believe them, much less act on their demands.

8 The Market, Not Government, Gave Us Super Glue

My car had languished at the airport parking lot for a full week. The blazing sun did its work on my rearview mirror, weakening the adhesive on the window. As I got into the driver's seat, the mirror was hanging as if from the gallows. Now I had to drive without being able to see behind me—and on some tricky highways no less. There was no obvious fix, so off I drove with a number of blind spots.

I stopped at the nearest gas station with full knowledge of what I needed to do. I bought a tiny tube of what's commonly called “super glue”—that super-sticky potion that does magic on everything from broken plates to metal pipes to falling-off car parts. It cost about two dollars. I put on a few drops, held it in place for sixty seconds, and, like magic, all things were right with the world. The mirror re-adhered and I drove off as if this potential visual calamity had never happened.

Then I got to thinking: What if that store hadn't been there? My life would have been in danger. At the very least, I would have felt anxiety and probably endangered others. Thank goodness for the so-called convenience store. People have railed against them for years, because they tend to charge much higher prices for goods than the local grocery store—all to “exploit” people who are in a hurry or who need convenience.

Well, exploit me, please. Grocery stores, similarly, charge higher prices than far-away farmers' markets. It's the consumer who determines what prices producers can charge, high or low. There is a simple solution if you don't want to pay the premium: Don't pay the premium. Just go somewhere else. Restricting existing opportunities accomplishes nothing for the social order.

Even more impressive, however, was that tiny bottle of glue that I bought. I can vaguely recall a time when you couldn't buy super glue just about anywhere. When I was a kid, I never knew such a thing existed. Indeed, I remember when it first came to market. Maybe it was the 1980s. Looking into it further—which anyone can do with anything thanks to the market-produced resources on the Internet—the chemical name of this glue is cyanoacrylate.

Three years ago, the man who invented it received an award from President Barack Obama. His name is Harry Wesley Coover Jr., and he was awarded the National Medal of Technology and Innovation for his role as the lead scientist in an Eastman-Kodak lab in 1942, when most corporations were forced to produce for the war. Cyanoacrylate came about in the course of trying to find ways to improve on guns as part of a government contract—or so the short version of the story goes.

There are a number of problems with the story, which on the face of it seems false, because this compound only became available to average consumers in the 1980s. It turns out that in 1942, neither Dr. Coover (who died in 2011) nor any of his lab assistants did anything with the substance. It was a lab thing—people with microscopes and test tubes who obey no other metric—and that’s where it ended. They totally dismissed the discovery on grounds that this stuff was surely useless because, after all, it absolutely stuck to everything.

In other words, super glue was “discovered” by the government in the same way that the government built the Internet. It was able to combine the elements but then didn’t do anything socially useful with the results. The technology died on the vine, as it were, until it was brought to life again by market participants with an eye to improving lives.

And while there’s nothing wrong with abstract knowledge or invention for its own sake, a much more telling problem to solve is how to make things useful and distributed throughout the human population. That requires entrepreneurs who are attentive to human needs, as well as the realities of scarcity, to make production and consumption economical—meaning not wasteful and compatible with people’s actual priorities.

Knowledge alone does not serve society. Knowledge put to use in a market setting—science turned into the “practical arts”—is what serves the human population. Labs don’t provide those two crucial elements—entrepreneurial insight and marketing savvy—that turn ideas into socially relevant technologies. And getting ideas out of labs and into stores is no easy feat. It requires a competitive market order, unrelenting trial and error, a process of development over time, not to mention a price system that allows for cost accounting, among other institutions.

Dr. Coover stumbled upon cyanoacrylate again years after it was initially discovered. This time, his mindset had changed: He was still working for Eastman-Kodak, but it was peacetime. Companies were profit hungry and commerce was essential to the bottom line. Instead of working for preset government plans, he was working with a commercial motivation.

Clearly, then, this stuff had a commercial destination. The knowledge of a chemical compound that was previously too sticky to do anything useful became an actionable technology. To prove it, Dr. Coover went on a television game show called *I've Got a Secret* in 1958 to demonstrate his invention by bonding two pieces of metal and letting the bonding apparatus lift him up in the air. The audience was thrilled!

Even so, it took many years before this glue was available on every street corner. In fact, it was not until the late 1970s when there was such a thing as “super glue” you could buy everywhere.

My long research into patents suggested that this is the best place to look to discover why private markets slow down in distributing inventions. Sure enough, the lore is that Dr. Coover held the patents but never made a dime from them. The product didn't become commercially successful until after the patents ran out. This little fact is typically reported as if it were some kind of injustice done to the scientist.

Actually, the causation likely runs the other way. So long as the patents were around—the first was issued in 1954—it could not achieve its fully commercial success because its marketing and distribution could not improve in a noncompetitive environment. As the *New York Times* said in its obituary of Coover, “Kodak was never able to capitalize commercially on Dr. Coover's discovery.”

Patents guarantee no success. In fact they often inhibit success precisely because people tend to believe that a patent generates some sort of human right to succeed. Just a quick glance at the patents surrounding cyanoacrylate shows results of 686,000—an astonishing thicket of monopoly central planning for a compound. From 1954 on, every iteration of it was repatented as much as possible.

As just one example, when Kodak held the chemical as a proprietary product, it was called Eastman 910—not so catchy. I can't say for sure, but it probably wasn't packaged well, either. After 1980, when a frustrated Kodak company sold the product to National Starch, marketing and distribution improved to the point that I could find it in any convenient store. Now anyone can make the stuff and sell it, and dozens if not hundreds of companies are involved. They compete not on the basic glue but on the packaging, which turns out to be rather important with this glue, which dries out in minutes.

There is another use to cyanoacrylate that we know well today. It fixes cuts and scrapes better than Band-Aids. Once you have used it for cuts, you wonder why you ever used anything else. It turns out that the government did use this on wounded soldiers in the Vietnam War and it was *mighty* successful.

(One shudders to think how much good it might have done during World War II, but government was too busy looking for things to make guns, not repair wounds).

The FDA didn't give the go-ahead for regular consumer use until the 1990s, because the government feared that the stuff was somehow toxic. A few companies threw some antibiotics into the mix and the approval finally came through, which is why we have liquid bandages today.

Given all of this, it's no wonder that the product took so many decades to go from invention to market viability. It was the competitive market that finally gave the product life, but first it had to struggle through an incredible array of barriers, from disincentives to monopoly grants to regulatory restrictions. What might have helped people at daily life since the 1940s took a half-century. Part of that time passage is inherent in the market process, but much of the rest of it was due to intervention.

It was not science as such that made the difference. It was science given flight by market forces. At each stage of its development, the market was there, encouraging, prodding, guiding, and leading to the light, despite all odds.

In the end, I'm the beneficiary. It all comes down to my two-dollar purchase, made on the fly, involving totally unexpected circumstances. I did not get in a wreck, and my rearview mirror is still holding solid.

Of course, people will still complain about the prices at convenience stores and a lack of government funding for research and development and suggest that we need some form of control to hold back the wiles of the competitive market order. Yet, this case illustrates that the "wiles" are not the problem; the problem is the artificial barriers.

9 Headphones: Paradigm of Market Progress

We had headphones when I was a kid. They were nothing special, just speakers with puffy foam to fit around your ears and a plastic piece to secure them on your head. They sounded fine. They kind of made your ears sweaty. Others could hear a bit of what you heard. You could hear what was going on outside the headphones. Mostly, they just made the scratches and pops on the vinyl records sound louder in your ears. Otherwise, they didn't matter much in the scheme of things.

Somehow, over the last few years—and especially over the last twelve months—everything changed. Total headphone mania has broken out. It seems like everyone under a certain age wants a pair. The quality makes the ones I had when I was a kid seem like stone-age relics. Forget the pops and clicks of vinyl. The purpose of the new headphones is to reveal a universe of sound no human being has ever experienced.

In my opinion the sound is sometimes better than you can get in a physical space. It is better than real life for me, sometimes, because headphones can block all outside noise and really target your ears.

Crucially, they have become status symbols. What brand you own and use says something about who you are or who you want to be. They are worn with pride, attached only to tiny boxes that contain thousands of songs—a tiny box that is also a phone, GPS, blood-pressure checker, musical instrument, and tens of thousands of other things.

In the beginning of the headphone craze, there was Bose, a company that somehow manages to keep reinventing its products and defying every expectation that it is old hat. It was founded in 1964, long before the digital age, and only just after audio equipment became common in every American home. Bose distinguished itself by innovating with the changing times.

As for its headphones, they were first made only for specialists in industry. Only in the last ten years did the company begin pushing the idea of stellar sound for average consumers. Its most popular models hit the market in 2010 and they changed the market forever. They took a throwaway item and turned it into a must-have.

Meanwhile, a competitor was waiting in the wings. Beats Electronics was founded in 2006 by hip-hop artist Dr. Dre. He was not only the owner but he personally promoted its products as the best way to hear all of the sound. His personal credibility mattered. This product quickly found a niche among a group of buyers who had no interest in Bose's stuffy/scientific approach. By 2010, the mass craving for the perfect headphone experience had entered the mainstream.

Bose and Beats entered a titanic struggle in the midst of a market that was growing ever larger. Bose started working with new designs to make their product more hip, even as Beats started working on new designs for professionals. These companies were learning from each other while invading each other's market niches. Emulation—or observing and copying the successes of one's competitors—was an important part of the competitive process in the headphone market.

The profit signals worked as they should, inviting ever-more-enterprising attempts to capture the buying attention of a newly attentive consumer. New companies flew into the market. By 2012, every shape and size became available. The price ranges widened, with makers such as Beats able to sell their wares for \$250 and up.

As of this writing, Bose is asking \$350 for its top-of-the-line set. Other companies compete with each other in the two-hundred-dollar price range, variously struggling to charge the highest price while still undercutting each other for market share. A new language has emerged: in-ear, on-ear, and over-ear. You have to choose.

At my last visit, my local Best Buy had about twenty feet of shelf space devoted to them. Amazon has dedicated an entire online store to them, featuring dozens of brands, from old audiophile standbys to highly specialized earbuds designed to be worn during athletic training. And within a few weeks after observing this, the market expanded out further to the point that imitators of the high-end models showed up at very reasonable prices at drugstores.

The luxury good had become the standard product over time. And if you find even these products to be too expensive, you can also buy lookalikes in dollar stores, products that are not as good but that allow people on a budget to at least look like they are using high-status items.

They all sound great to me, and I would be hard pressed to discern the difference between them apart from their colors and shapes. And by the way, they all look spectacular, very much unlike the headphones I had when I was a kid.

A few observations about the market bear repeating in light of this case.

This whole craze illustrates the unpredictability of the marketplace. If someone had told me ten years ago that an explosive industry would emerge in which companies would sell headphones to average kids for hundreds of dollars, I would have said: no way. But, surprise, there it is. And the phenomenon has all the elements of market success: substance, style, and intense competition rooted in emulation and the drive to develop and improve.

No one planned this large outcome in any of its particulars; it emerged from the actions of entrepreneurs, producers, sellers, and buyers, and it involves the division of labor working all over the globe. The producers are profiting, surely, but how? Through service to the common person, and the common person is the one who determines such success and failure.

Some people look at this situation and think: what a gigantic waste. It shouldn't matter what headphones you own or whether you own them at all. Plus, this duplication is pointless. Dog eats dog eats dog, and what do you have in the end?

Well, here is what you have in the end: a grand and glorious and productive new industry that gets us closer to experiencing better lives. The products do in fact open new worlds to us. Whether you listen to hip hop or Schubert, whether you thrill to the punch of a bass drum or the delicate balance of an oboe and violin duet, the music is taking on a new meaning in people's heads, hearts, and souls.

All this so-called materialism ends up feeding a nonmaterial end of letting us experience joy. Poets, philosophers, and theologians have told us since the ancient world of the magical properties that music can have on civilization. But it took the capitalists to make their dreams real and universalize them.

As for the supposed duplication of product availability, this is only evidence of how the marketplace is fully capable of serving the infinite diversity within the human family.

Consider too that all of these undertakings must constantly face the grueling test of the balance sheet. If it works economically, we know that it is not a waste of resources. When it stops working for one company, or all, that too is a sign that the activity must stop.

This is a system that works for everyone. It is filled with surprises and opportunities for both producers and consumers, the product of an unplanned order that no one in particular controls in full. If we could bring the dynamism, economics, element of surprise, and relentless creativity and

innovation to other sectors of life that are dominated by state imposition, we would see the emergence of new types of social service that we can't today even imagine.

In other words, the right way to fix healthcare, education, transportation, and justice—or any sector that is bogged down in bureaucracy and rules—is right before our eyes, or perhaps right in our ears. For sectors dominated by the state, the music has stopped. For those controlled by market forces, it has just begun.

10 Government Targets the Breeders

It occurs to every kid of a certain age. Let's say the kid has a hamster, and then two, and they make babies. New value, new commodities. This is fantastic! Maybe the kid can breed hamsters, sell them, and make a few bucks. The capital investment is low and the returns are potentially very high and ongoing. Forget those expensive pet stores. Anyone can get into this business. And especially with the Internet, wow, there is real potential here!

Remember that the commercial marketplace is not only about groceries, shoes, computers, and services. There are markets in everything. Anything that one human wants and another can assist in delivering can become a vibrant market and contribute to the flourishing of life on earth. The market for pets is vibrant and ever more people can enter it and succeed.

Hold it right there. Maybe you thought that doing such things would be a right in the land of the free. It turns out that pet breeding and selling have been heavily regulated by law since 1966 (thanks, LBJ). All commercial breeders and sellers must be licensed and obey several severe rules on equipment, contracts, qualifications, conditions, and much more, and these have been constantly ramped up over the decades, year by year.

To be sure, the law has traditionally exempted—the terms are rather narrow—home breeders and sellers under the category of “retail store,” a fact that has undoubtedly annoyed the big players in the industry. The big guys never like competition. In 1995, when the Internet opened for business, these smaller institutions suddenly enjoyed new access to markets. Dogs could be shifted from one kennel to another depending on markets. People could sell pets through online contacts.

Maybe you remember the highflying Internet stock from the late 1990s called Pets.com. The dot-com bust laid waste to this institution, which had no capital and no profit at all. But reflect on the reason why it soared to the top. Many people saw a new opportunity here for information and commodity exchange. It's a pain to go to a pet store and be subjected to their limited choices. Just as with clothing and music, pet owners need a broader range of options, and the Internet can provide that.

It's not just about dogs and cats. It's about snakes, guinea pigs, hedgehogs, mice, prairie dogs, flying squirrels, dingoes, and every other critter on the planet. The Animal Welfare Act covers them all, and the exemptions from the law are a matter for the state to decide. As a result, many home-based breeders and sellers have been operating in fear for years. Their fear is that with the stroke of a pen, they will be excluded from the category of retail shops and find themselves under extreme regulations that will shut them down completely.

That stroke of a pen is about to happen. It will come from a division of the Department of Agriculture called the Animal and Plant Health Inspection Service. It is a proposed rule, internally generated by the bureaucrats themselves, subject to public comment, but not contingent on any vote in Congress or by the public plebiscite.

I spent several hours reading through all the details of the proposed rule, its exemptions, applications, and conditions. The language in which the whole thing is written is not English of the normal sort. I could barely find my way around—something I've come to expect from reading these rules.

I only wanted to know what is this going to mean for people who breed and sell stuff and use the Internet to find a market. If I want to buy an off-white Maltipoo tomorrow, is this rule going to make it harder or easier, more or less expensive? If I want a rare snake, will this new rule make the consumer better or worse off?

I'm grateful to Sofie Miller of George Washington University's Regulatory Studies Center. She puts the upshot of this whole mess very plainly:

The Animal and Plant Health Inspection Service released a proposed rule revising the definition of "retail pet store" for official licensing purposes, *effectively excluding most online pet dealers from the market*. The proposed definition of "retail pet store" would be limited to "a place of business or residence that each buyer physically enters in order to personally observe the animals available for sale prior to purchase and/or to take custody of the animals after purchase, and where only certain animals are sold or offered for sale, at retail, for use as pets." Places officially labeled "retail pet stores" are not required to be licensed or inspected under the Animal Welfare Act; excluding online pet retailers from this definition subjects those entities to AWA inspection and licensing.

There we go: independent breeders and sellers will be strangled. That's the point. They can't be considered excluded from the central plan and therefore will face such high costs that they will shut down or go underground.

This is not only awful for consumers and home-based breeding businesses; it is awful for rare species too. So much for the government's concern for endangered species!

As the Sportsmen's and Animal Owners' Voting Alliance points out:

Basically the new rules present breeders with few choices. Sell all animals only to buyers who physically enter your premises, reduce and maintain the number of breeding females to four (4) including co-ownerships and dogs shared with family members; or obtain a license under the Animal Welfare Act, have a federally compliant facility, and allow APHIS inspectors to inspect your homes and facilities.

Selling even one pet off premise via shipping, at a friend's home, at a show, at a park, will result in loss of an exemption from licensing, placing limitations on both buyers and sellers. The narrow limits of the exemption restrict the ability of hobby breeders to work together remotely, sharing dogs from litters in order to implement their breeding programs and/or increase diversity in their lines.

This rule would have dire consequences on the ability of rare- or uncommon-breed breeders to sell their puppies. Generally, if a purchaser desires a puppy of a more unusual breed, they probably will not find one within easy driving distance, and the puppy must be either shipped commercially or otherwise transported, or the breeder will meet the buyer halfway. If each purchaser is required to visit the breeder to observe the animals or pick up his/her purchases, the number of buyers who are able to do this in the case of the more-uncommon breeds is very low. Without a ready market to sell pups, these breeds will quickly die out.

In the case of rare or uncommon breeds, this rule would make it difficult to maintain genetic diversity, since a breeder could not ship a puppy cross country to another breeder for the purposes of improving the genetic diversity in that person's breeding program.

The question is: who cares? Well, apparently, not too many people. There is no controversy about this. No presidential candidate was asked about this and there will be no press conferences. It is an agency with a job to do, and it is doing what agencies do: restricting freedom piece by piece.

But look at the big picture. We are in a deep economic stagnation, yet the government is killing off entrepreneurship in small steps taken every day. The online world has opened up new opportunities, but the government is shutting them day by day. We have unemployment, but the bureaucracies are strangling jobs and commercial growth. Freedom itself is in peril, yet the

trajectory toward ever less liberty continues. No one with the power to stop it wants to stop it.

Surfing for information, I bumped into a reptile forum that runs classifieds for every variety of snakes one could imagine. The discussion centered on whether this new rule includes only mammals. The tenor of the conversation was clear: If we the snake people can be determined to be exempt, to heck with it. No one cares about other people's liberties, just their own.

This is a great example of how it all works. It doesn't matter unless you are in the market for a cool pet. You try to find one, but no: It is not available. You don't know why. Most people would never suspect the heavy hand of the state. The effects of the regulation are invisible. Even researching in detail turns up nothing. The only people who know the truth are in the industry itself, but these people don't talk, because they are afraid.

Meanwhile, the market moves underground, same as with so many other sectors. Less transparency, less quality control, less information. In the future, you will be buying your puppies off a park bench, exchanging money for the contents of a brown paper bag. It is the newest result of another enterprising sector harmed by an invisible process of restriction that has been going on one hundred years and it is strangling the life out of society itself. Every step matters. Every step is evil. But this evil flies under the cover of night.

Best buy that beloved pet now. If you get two and they mate, prepare to break bad.

11 A Total Dedication to Sponges

I was strolling along the wharf in Bodrum, Turkey, and I was intrigued to see some natural sea sponges on a table with a merchant behind the table telling me something about them in Turkish.

I vaguely recall seeing an item like this when I was a kid but I long ago dismissed them as some kind of goofy, hippy thing. Sea sponges are for the Flintstones. The Jetsons use the cool stuff in the grocery store.

Still, I bought a couple of them anyway. Then I got them home and that's when my sponge love took off. These things are just amazing. Big, scratchy, and solid, they look and feel great. They soak up the soap and water, distribute it all quickly, and then drain fast. The guy at the wharf told me it will last fifty years, which seems extreme but maybe not. I'm dedicated to these things.

So once stateside, I decided to get more. I shopped and shopped and found nothing out there, not even in the hippy health stores. Finally, I landed at Bed, Bath, and Beyond, and picked up a sea sponge that was lighter colored. It was from the Caribbean, not the Aegean Sea like mine. But how could this really matter? Surely a sea sponge is a sea sponge. So I shelled out twenty dollars for it.

It turns out to be pathetic. Once the water hits it, it turns to a blobby mush. You might as well try to wash with a raw egg yolk. What's the deal with the Caribbean and its wimpy sponge plants or animals or whatever they are? Is this the best that place can do: produce such a sorry excuse for a sea sponge?

I went online where all things are available. I looked everywhere for a sponge from Turkey or Greece or just from the Aegean Sea generally. You know, seas that produce robust and manly sea sponges. No luck. Surely I was mistaken. I returned to the Internet night after night pursuing my treasure. Nothing.

How can this be?

Sure enough, statistics from the US trade representative's office confirms. We get plenty of sponges from the Bahamas, Philippines, and Caribbean but none (none!) from Turkey and only a few from Greece. Incredible. It seemed

obvious to me that Turkish sponges are far better so why can't we buy them in the United States?

We live in a world in which everything is available. If some tiny choir in Amsterdam sings a fifteenth-century motet, I can snag a recording of that in a matter of minutes. Most of the stuff sitting on my desk comes from China. My shirt has parts and labor embedded within it from a dozen countries around the world. Why can't I get a sponge from Turkey?

This is when I start making calls. I rang up the leading importer of sponges with a business that has been in the family for three generations, starting long ago with imports from Turkey. Now the company only imports from places closer to home. This is how the conversation began. I told him what I had found and he confirmed it point by point.

The conversation lasted twenty minutes. It was filled with fascinating detail about varieties of sponges, places of origin, sponge-farming techniques, import restrictions, wholesale-pricing deals, big-box contract restrictions, sponge longevity, and trends in sponge usage across industries. This man lives and breathes sea sponges, just as his father and his father's father did.

I gotta say it: I love conversations like this. They are too rare. Experts are amazing people. Real experts, people who know a sector like no one else. And if you want a real expert, you have to go to a businessperson. These are the people with the strongest passions, the depth of knowledge, the on-the-ground (or in-the-sea) experience, and vast knowledge about stuff that no normal person could acquire through any known means. Wikipedia is ignorant by comparison, and the professor who thinks he knows, knows nothing.

Speaking on deep background, he admitted that the Turkish sponges are vastly better and that the floppy mush from the Caribbean is a sorry excuse for a sea sponge. He said that consumers have been denied serious sponges for so long that they no longer expect anything else.

Why can't he get them from Turkey? He said that he has tried and tried for years but, as best he can tell, there just aren't people harvesting them on a scale to enable the volume of imports that would make importing them economically viable. There are no restrictions on importation, so far as he could tell, but he still can't make it work and be profitable.

I just laughed and laughed over this comment: "A few years ago, a guy in New Jersey managed to get some. But he kept them!" I'm not sure if he meant that he declined to sell them to wholesalers or if the guy retained them for use by his children and his children's children. In either case, it was a funny comment because it illustrates just how much my new friend knows about this market.

That still leaves the question why so few boats are willing to go out and harvest these things. It could be that there is not enough demand to justify it, but I doubt that. This is an ancient profession—literally dating back to the ancient world when divers would plumb the depths of the ocean to drag up these amazing things and sell them on the streets to all classes of people.

I can't confirm this with absolute certainty but I suspect that modern sponge divers in the Aegean Sea region have lobbied for and achieved a cartel status, restricting capitalized companies from planting and harvesting on grounds of job protection. Again, I can't confirm but I've found enough material about the supposed sad plight of traditional sponge farmers to make me suspicious that the hand of the state is somehow involved in forming them into a tiny guild to keep their wages and profits high. Hence, the small quantity available on the market.

My temporary mania to discover the secret of the sponge took place right in the thick of the presidential debates just before the national election. Each of these debates feature extremely impressive actors who purport to have vast knowledge of all things sufficient to give them the intellectual capacity to manage the country and the whole world. They rattle off statistics and pronounce on all aspects of everything. We are supposed to believe that they are like that character in the movie *Megamind*. They are all knowing!

Anyone with a bit of sophistication can detect the truth. These guys are pulling sponges over our eyes. They know how to get elected. That's their main talent. If you want to gain actual working knowledge of something, you have to talk to a person—like this sponge importer—who lives and breathes the sector and puts his own property on the line, and tests his knowledge daily by the ultimate crucible of the balance sheet. It is in the commercial sector that you find real expertise.

Of course my sponge merchant is not presuming to run our lives or run the world. His mission is more realistic and humble: get people stuff they can use to improve their lives. This is a humble calling, an honest profession, a heroic endeavor. It is social service. It is a model of how to live a good and productive life.

Admire not those who lie and trick us into believing they are godlike! The merchants are the people we should be admiring because they are exactly what they purport to be, and, in a market economy, they are always and everywhere willing to be corrected, ready to change plans, and happy to be deferential to the tastes and demands of others. This is the market at work: humble expertise in the service of humanity.

If you are ever in a position to advise young people, steer them in this direction. Merchantcraft is a life well lived. A mind is a terrible thing to waste on politics.

12 To Build a Better Can Opener

“How the heck does this thing work?”

I struggled with the new can opener for twenty minutes before giving up. This thing doesn't work. Has the government wrecked the can opener too? Hmm, maybe I should read the instructions. I had done the “guy thing” and attempted to use a new product without bothering to spend ten seconds reading the instructions.

Incredibly, I had already opened the can without knowing it. I lifted the top off. It was beautiful. Nothing sharp. It was like magic.

Stunning. This tiny contraption totally rethinks the entire idea of can opening, relying on a completely different method, one that surprises and thrills. Even after a hundred or so years during which the established ways were unquestioned, the market has given us a better way, where and when we least expected it!

The old can opener opens the top, right? The new kind crawls along the side and cuts it open just under the lid, meaning that you lift the top off, rather than dig around in the center and cut yourself.

The new opener requires no change in the can shape. It takes the existing reality as it has existed since our great-grandparents' time and generates a totally different solution to the problem.

As soon as you see it in action, you think: Of course! Of course that's how it should work! Why didn't anyone think of this before? Can opening might never be the same. Our children will never know a jagged, dangerous can top. No dog digging through the garbage will ever again cut his or her tongue. Never again will a lid fall into the beans and have to be fished out with a fork.

Looking through the Amazon reviews of the OXO Smooth Edge Can Opener, I'm stunned to discover that this contraption has been around ten years yet completely eluded my notice. But hey, one doesn't buy a new can opener every day. I recall that my mother used an electric opener that I now think of as rather quaint. I never imagined there would be any fundamental progress in how this tool could work.

But let us move to the more important question. How did this stunning progress happen? The commercial marketplace made something new from the old. It called into existence a new thing that didn't exist. It's a dent in the universe made possible only through the dynamic and creative hydraulics of enterprise in a manmade world made ever improved and orderly through the spontaneous cooperation of people without central direction.

No government agency thought of this. Had some regulator thought of it, it wouldn't have worked right. Or what if government had imposed a fixed idea of how cans should be opened and there could be no other? Government does this with thousands of other products. We never really know what we are missing because innovation has been shut down in so many other areas.

Then there are the things that government fully controls: foreign policy, prison policy, public education, the judicial system, money and finance, police. Here we see stasis. History is frozen. Sometimes there is an attempt at reform, but it rarely makes the system better. Most crucially, we are denied unknown improvements that we might otherwise see if these systems lived within a market system.

Leave goods and services to the market and voila, we get something out of nothing. And then the idea spreads and improves everything, provided there are no artificial barriers. This new tool is patented and therefore shuts other competitors out of the market, so we have to wait for the technology to spread and for prices to fall—a perfect example of how a seemingly small government intervention slows down the progress of history.

All of this happened while I was reading a book that takes creativity to a new level. It was written in 1922 by Ludwig von Mises. I came across this passage:

The creative spirit innovates necessarily. It must press forward. It must destroy the old and set the new in its place. It could not conceivably be relieved of this burden. If it were it would cease to be a pioneer. Progress cannot be organized. . . . Society can do nothing to aid progress. If it does not load the individual with quiet unbreakable chains, if it does not surround the prison in which it encloses him with quite unsurmountable walls, it has done all that can be expected of it. Genius will soon find a way to win its own freedom.

Beautiful. Perfect. The book is *Socialism* by Ludwig von Mises, a book that relentlessly demonstrates that government intervention not only makes innovation impossible; it creates economic chaos that ends in demolishing civilization. Piecemeal socialism does this bit by bit. All-at-once socialism creates a bloody catastrophe.

Here was a famous Austrian academic economist. He was surrounded by socialists Left and Right. Socialism had been opposed before, but never on this level. Two years earlier, he had thrown down the gauntlet with the following argument: If capital goods are not owned by private parties, they aren't traded, and market prices for them do not emerge. That means the end of cost accounting, without which producers are groping in the dark. They don't know how much in resources to acquire, how to use them economically, how much to pay workers, how much stuff to make, how to make tradeoff decisions, or what to research and develop. Central planners certainly can't pull off this feat.

Under socialism, there won't be any newfangled can openers. There might not be can openers at all. Or cans. Or stuff to put in the cans. Or machines to make the cans. A consistent socialism will reduce us all to a hunter-gatherer state of being.

Note that Mises's argument is value free. It doesn't say that collectivism is good or bad. It doesn't rely on the old argument concerning incentives, an argument that is true enough, but seems to rely on certain postulates concerning the nature of man. Mises's core point concerns something more objective. In a world of scarcity, we need to allocate rationally. We need measures to assess the economic merits of our choices. We need standards by which our forecasts can be declared successful or not. Socialism provides none of that.

Still, people might imagine that this book is old news. After all, Soviet communism is history, and so are all the socialist experiments of its satellite states. Actually, that changes none of the prescience or applicability of Mises's text. Mises's argument is about the superiority of markets over all forms of government planning. That means it has direct relevance to our current plight of an increasingly bureaucratized world in which rules and regulations govern and strangle many aspects of the material world.

And the relevance is not only implied. It is discussed in detail. Mises takes on environmentalism, healthcare mandates, welfare provision, public pensions, arts subsidies, public education, foreign trade and investment, war, race and sex relations, publicly funded science, antitrust policy, religion, labor cooperatives, taxation, inflation, patents, and so much more.

A sample passage on monetary expansion:

[Inflation] leads everyone to consume his fortune; it discourages saving, and thereby prevents the formation of fresh capital. It encourages the confiscatory policy of taxation. The depreciation of money raises the monetary expression of commodity values and this, reacting on the book values of changes in capital—which the tax

administration regard as increases in income and capital—becomes a new legal justification for confiscation of part of the owners' fortune. References to the apparently high profits which entrepreneurs can be shown to be making, on a calculation assuming that the value of money remains stable, offers an excellent means of stimulating popular frenzy. In this way, one can easily represent all entrepreneurial activity as profiteering, swindling, and parasitism. And the chaos which follows, the money system collapsing under the avalanche of continuous issues of additional notes, gives a favorable opportunity for completing the work of destruction.

Hence the Occupy movement. Hence the popularity of dangerous anti-capitalist frenzies in the media and politics. And this prediction came ninety years ago!

This book is absolutely thrilling on every page. I'm especially impressed by the pacing of the argument. It is as fast and hot as it is rigorous and thorough, as if Mises couldn't get the information out of his head and onto paper fast enough.

No one in Mises's generation could avoid his argument. The book shocked and angered a generation—and set off two generations of ongoing debate. The book still stands as the great challenge to all forms of government control.

In a marvelous introduction, Professor Peter Boettke of George Mason University explains the background of this work, its scope and meaning, and its applicability in our times. He is a world-class expert on the whole topic, having edited a ten-volume set that focuses on this book.

Someone asked me the other day: Do you think this book is well read today? My answer: Absolutely not. It is more of a symbol than a reality. People know it exists. But they generally do not turn to it. When you take the time to open it and study it, you find delights and dazzlements on every single page.

That this situation will change is my highest hope. This work provides such wonderful light and hope in a time without that much of either. Mises shows the way forward by exposing the errors of those who want to go backward.

Mises's *Socialism* helps you see the world in a new way. It's the same way I can buy a new can opener at the store, use it, and see within its functioning something remarkable about the structure of the social order and history's trajectory. A great book can do this. Mises was a creative genius, doing in the world of ideas what great entrepreneurs do in the world of commerce.

13 Gadget Mania: May It Never End

What kind of events are worth reporting on in real time, with updates every few seconds? Such events have to be pretty dramatic. Well, the release of the iPhone 5 apparently qualifies. The tech blogs were all over it, and so were the wire services and big papers.

A moment to celebrate? Sure! It was the smartphone that changed the whole way people live and access information in our time. The smartphone . . . is nearly everything you can think of in the size of a deck of cards. It is the greatest consumer product in human history heretofore. It's hype, but totally justified.

Maybe you have had this experience. I've recommended smartphones to flip-phone users, and they never stopped thanking me.

Meanwhile, I'm getting serious upgrade cravings. Suddenly, my iPhone 4S has cobwebs on it. I have to blow off the dust to make a call. It is ugly and stupid and slow with a tiny screen, and the battery runs out too fast. Might as well be a telegraph machine or a smoke signal or a note in a bottle. This museum piece must die.

Some cynics think: oh sure, you want me to cough up yet again for a gadget I don't need. Well, fine. If you don't like the phone, there is a simple solution. Don't buy it. That's the essential glory of a market economy. It has to persuade us to participate. If we don't want to, we don't have to. But don't put down the longing for improvement: this is the drive that pushes history forward.

It's not so easy in the world of politics. The government rolls out its new reforms and then forces them down our throats. We have no choice but to believe its experts and scientists and bureaucrats, and comply, on penalty of jail time. If you disagree, you are called an outlier, an extremist, even a danger to society.

The first iPhone went to market in 2007. Just look how far the entire smartphone industry has traveled in these years. That same year, the United States entered into a recession that the government swore it would fix. Not only has government not fixed the problem, middle-class income continues

to shrink under the supposed fix, unemployment still worsens, and there is no end in sight.

In the background, in the world of digits and technology, revolutions were happening. While enterprise working in the digital world has created wonders, government has created disaster and sacrificed untold amounts of unseen potential wealth with its parasitic and backward policies of bail out, spend, regulate, and print.

To make matters worse, the G-men have done nothing since 2007 but hector, harass, threaten, and badger makers and innovators of smartphones. Congress has been holding hearings for five years, there's always some Justice Department investigation, and the regulators never stop looking for some far-flung imperfections in the way smartphones are marketed, the hardware and firmware, the app economy, the carrier contracts, and every aspect of how these innovations have worked.

Most absurdly, Congress has pretended to protect us from the dangers of how smartphones are tracking our movements and storing private data on our lives. Doctors, heal yourself! There are a thousand government agencies down the street that are doing just that, and they aren't trying to sell us stuff. They are spying on us to take our liberty and property without our consent. The supposed violations of our rights pushed by new technologies typically involve selling us stuff we want.

History will record that government did absolutely nothing to create the smartphone and everything possible to hobble its development. The whole thing is quite insulting. If government had its way, we would still be using switchboard operators. The private sector companies that innovate and sell us these products truly are revolutionaries against a static and decrepit political system.

When was the last time any public sector agency actually created something to enhance our lives? I can't remember one. But every morning I still see the postal employee driving around a truck and sticking things in mailboxes, and I see yellow school buses from fifty years ago carting kids to their daycare prisons, and I sometimes have to go to government agencies with tellers using technology from the 1930s.

And then we look at the private sector and see miracles unfolding by the day. We not only expect them. We demand them. And then we tolerate no rollback ever. How many people would trade in their iPhone 4 for a flip phone that itself was a dramatic upgrade from anything available even ten years ago? If people were forced to do this, it would be seen as a human-rights violation.

And once people get used to the new iPhone or whatever amazing gadget is being pushed by Android or Samsung, the excitement lasts about a day. Then people just figure that this is the way it is: progress is just part of life itself. We take it all for granted. But we demand no such thing from government. We have the lowest expectations possible for the public sector and impossibly high expectations for the private sector.

My favorite example of this weird confluence comes from airports. We approach the security line with trepidation, careful to remove our shoes, strip down, bag our creams and toothpaste, and say “yes sir” and “yes ma’am” to every demand. We put up with their glares and stares and subject ourselves to every abuse.

We cross through security and enter the glorious marketplace of airport commerce. Here we find merchants reaching out to us, serving us, giving us everything we want, creating ever-more-amazing things for us. I can get a massage, buy some shoes, have a drink, take a nap, or stock up on tchotchkes that sample the local culture.

Despite the TSA’s claim that they are there to serve us, the real servants are found only once we pass through the public sector gauntlet. And yet how do we treat the waitress who brings us that greasy burger? We complain that it didn’t arrive fast enough, that the tomato is stale, that the fries are cold. We say things to these servants we would never dare to say to the TSA.

And yet, no matter how much abuse we heap on the private sector, it somehow forges ahead. The glaze of the entrepreneur is always toward the future. It is to do what hasn’t yet been done, and always for others. It is only through doing the exceptional thing in service of society that profits are made. One must leave the crowd, invent and market the new thing, take on the status quo, blow up what exists, and make something new that had never been imagined before.

To make new is the great challenge of life. Any society and any system can repeat what has been done in the past, but the result of that is stagnation and eventual death. When economic forces are left to individuals and their creative longings, we experience that most glorious thing called progress.

That’s why the private sector is forever surprising us with things that serve needs we didn’t even know we had. Think of it. No bureaucrat ever thought of the smartphone. None of us did. It took a global community of self-interested, market-coordinated producers, thousands and even millions of people wildly interested in making a buck by bringing people cool stuff, to come up with the smartphone.

And despite his vaunted reputation, Steve Jobs didn't come up with it either. He drew from existing technologies and worked with the best people in the industry to come up with a way to package and market the greatest stuff in existence, rolling out a primitive version and improving it along the way through trial and error, always with a forward and upward glance.

The future is never certain in the world of commerce. As Daniel Cloud shows in his wonderful book *The Lily*, there is an element of the market economy that is pure play. You never know what is going to work at the outset. It's always a speculation. The new product or service, the new attempt to try what has not been tried before, always seems a bit crazy.

And it is a bit crazy . . . not to mention risky. But this is the way toward greatness. As Cloud says, "the real reason the entrepreneur's profits don't quickly get arbitrated away is that it takes people who aren't quite as creative a long time to realize that he is not crazy and begin to imitate him, and by that time, he's already moved on to some other uncertain project on the basis of some new keen hunch."

Entrepreneurship, he writes, is about "individual intuitions about objective uncertainties."

People are said to be gadget weary. Nice problem to have! If the world were ruled entirely by government, we would experience nothing new, just the same old sinking into the mire of the old and worn out. That world is never new and improved.

Whether you buy the new gizmo or not, its creative engine represents a force that is forever renewing the face of the earth and the experience of humanity itself. This is something to celebrate, and never take for granted.

14 The Market and Good Character Turn Tragedy to Triumph

I'm so proud of Rebecca Black I can hardly stand it.

She is among a growing number of young people who have become YouTube stars completely on their own. They have made use of user-controlled technology—from their own cameras to your eyes and ears—to cultivate fans all over the world. This trend has allowed ordinary individuals to bypass the once-entrenched elites in the entertainment world and is flourishing under a system of peer-to-peer sharing. A major beneficiary of this technology, and only sixteen years old, Black has a wonderful career ahead of her if she wants it. And she does.

But it took more than the market and the technology to make her musical entrepreneurship work. It also took daring, persistence, and a level of courage in the face of intense stress that would have crushed most others. Her story is worth looking at for what it teaches about how to deal with criticism, derision, doubts, and press frenzies. She learned how to turn a seeming defeat into a magnificent triumph. And it all happened at an age that people these days consider to be too young to be gainfully employed or otherwise be rational. Actually, she handled the whole thing better than most adults would or could have.

Black's public story really begins when she was thirteen. A friend of hers had done a music video that she had shared with friends and family, all produced by a company called Ark Music Factory that specializes in these vanity productions. Rebecca asked her mother if she could do the same. Her mother was happy to finance this idea because it was a dream that Rebecca had since she was very young. She knew Rebecca had talent. Also, Rebecca had been through a rather challenging time in life, having endured her parents' difficult divorce and having moved from school to school and faced the usual upheaval that accompanies such childhood traumas.

Rebecca was excited mostly because she hoped to have a fun video to send to her grandmother and share with some of her new friends at the middle school she was attending. The company wrote the song, recorded

Black's performance, and filmed the video. The result was "Friday"—yes, the notorious video that gained vast global attention in the spring of 2011. It went online on YouTube on February 10, 2011.

Nothing much happened for the first month. Rebecca was actually amazed when it racked up a thousand views. But then it was linked and promoted by some prominent bloggers—and not with the goal of showing how great the video was. The motivation was the opposite: cruel ridicule.

It was at this point that the video took off, racking up tens of thousands of views by the day. By the end of a few tumultuous months, the video had received four million hits. Among them, a half-million people liked it (I among them). That's a tremendous thing by any standard. But of course what stood out was the frightening fact that 3.5 million viewers disliked the video. It still holds the world record for the most disliked video. That's not a record anyone wants to hold.

It was a classic case of mob behavior. The link was shared and shared and always with a message along the lines of: this is the worst video of the worst song you have ever heard. The comments under the video revealed all. "I hope you go cut yourself and die." "I hope you cut yourself and get an eating disorder so you'll look pretty." Most of them are essentially unprintable, nearly all with the same message of ridicule. For a few months, Rebecca seemed like the great laughingstock of all the world's teens and twenty-somethings.

These comments were a wild overreaction and obviously so. In fact, the video was something of a guilty pleasure, and the hysterical opposition to it suggested jealousy as much as dislike.

Actually, the video has a strong narrative. It tells the story of a girl who gets up on Friday morning to go to school on the bus, but instead hops into a convertible and goes driving with her friends. Truancy, maybe? Late that night, the party begins. She is seen hanging out and smiling with all her friends and generally enjoying life.

As I wrote at the time, the entire video might be seen as an allegory for the escape from the prisonlike environment of public schooling and the fulfillment of the dream of exercising free choice and free will—a dream that is far distant in the minds of today's teens, who are not allowed to work, who face restricted play, and who are forced under the threat of prosecution to show up and obey Monday through Friday. Therefore, "Friday" in this video becomes the slogan for the hope of liberation.

Also, the music was not nearly as bad as everyone was saying at the time. It is actually quite clever and featured some interesting wordplay that goes

beyond the usual bubblegum pop. It was well performed, too, given that she was only about to turn fourteen years old.

Nonetheless, Rebecca's throngs of detractors did not see it that way. She was jeered and mocked everywhere online. She received death threats through email and even on her home phone.

She graciously accepted invitations to be on national talk shows, but during many of them, the interviewer questioned whether she could really sing at all. Maybe the whole video was autotuned to the point that it disguised a complete lack of talent? Maybe this company called Ark Music Factory is so cynical that it will make anyone appear to be a star?

Rebecca put on a good face, especially for a young girl staring at bright lights and cameras and a national audience for the first time. Inside, however, as Rebecca tells the story, she was absolutely devastated. Her life was in a state of complete meltdown. What she had done as a fun experiment with her friends and a sweet gift to her grandmother turned into a global fest of derision.

How can this happen? Why did it happen? How can she reverse history?

After some weeks, she pulled the video down—and this decision seemed like a bow to defeat at the hands of the Internet lynch mob. In public, the given reason was a copyright dispute. But privately, she had to feel a sense of relief. No more hate. No more derision. No more sleepless nights of feeling inadequate.

But that attitude didn't last long. She made the very hard decision to press on and use her strange fame to her advantage. The video went back up on her own channel and today has fifty-six million views.

She had to keep going in order to overcome her detractors, but it turns out that this was something she had learned to do long ago. "From kindergarten, I was bullied," she says. "There were just mean girls in my class. I'm not the type of girl that does everything to fit in. I like being different. I like dressing in bright colors. I guess I was an easy target. But my mom told me to just block them out and don't let them get to me and that's what I did. And that's what I do now. I have a thick skin. Now, I just laugh at it. I mean, they spend their day commenting on a thirteen-year-old girl's song, but at least I'm out there actually following my dreams and doing something."

And that is exactly what happened. It turned out that "Friday" had become a huge part of pop culture, the song everyone loved to hate so much that everyone loved it. The song ended up selling very well on iTunes. It was sung by Justin Bieber. It was performed on the television show *Glee*. It was covered by star Katy Perry in concert, and on Jimmy Fallon's television show with Stephen Colbert and Taylor Hicks.

Even now, if you type in the word “Friday” on Google, her video is the first link. That is amazing triumph: in effect, she is the owner of the name of a day of the week. What other pop star can boast such an achievement?

Her current agent quotes her as follows: “I’m not going to be just a one hit wonder. This is what I have wanted to do all my life and what I plan to do for my future. I’m determined and I don’t think people realize how hard I’ve worked for all of this to happen. I’m not going to let the haters stop me. I want to show everyone, I’m serious.”

All indications are that she is in high demand as a performer, not on her own concert tour ... not just yet ... but at special events. She has 331,000 subscribers on her YouTube channel, and she is coming out with new videos all the time—reaching her growing fan base directly, not through gatekeepers but from her house directly to yours. She has even done a “Draw My Life” video in which she recounts her story. It already has 864,509 views.

I’m recalling all of this because I just watched a video in which she and another YouTube star sing a cover version of Miley Cyrus’s “We Can’t Stop.” The original video version is lurid and essentially horrifying (in my view) and a depressing look at what became of child star Hannah Montana. The remix by Rebecca Black is nothing short of wonderful, even a revelation. It is sung with grace and charm, and the kind of technical stability that only comes with intense work and endless hours of practice.

She even changed the words to reflect her continuing theme of liberation, sans the tawdry lyrics. Here we even have a tribute to property rights as an essential guardian of freedom. “This is our house, these are our rules, and we can’t stop. We won’t stop. . . . We run things, things don’t run we . . . this is our party, we can do what we want.”

Right now, this video is approaching 1.1 million views. The first comment up there as I write is very touching and true: “We were wrong about her. WE WERE!!!!”

As some people recognized from the beginning, Rebecca Black has real talent. She is a hard worker. She wants to succeed. She is blessed to be performing in a time of fantastic technological innovation.

And yet that alone is never enough for grand achievement. There is an additional element of strong character necessary to persevere even in the face of a torrent of criticism. She saw the fickleness of the mob for what it is and somehow knew that she could use the notoriety to achieve something wonderful. And, sure enough, today the critics are not entirely silent, but they have quieted down, and her presence in the pop-music scene is growing.

This evidence of strong character she shares with great entrepreneurs from history. None have had an easy time of it, certainly not in the early stages. It's easy to dream of what could be. Persisting in that dream even in the face of every conceivable indication of failure is the real test, and it is a test that can't be passed with talent and dreams alone. It takes courage, emotional and mental stability, and implacable determination.

Every startup these days faces the long, dry, hot desert that extends from release all the way to profitability. The difference between those startups that are forgotten and those that make a dent in the universe comes down to the ability to cross that desert despite everything. The main players must toss off fatigue, confusion, and uncertainty and see them all as the price that must be paid to reach the Promised Land.

Rebecca Black, now only sixteen, discovered this great truth that brilliant entrepreneurs in every age have discovered. There is always an opportunity to make a difference and change the world. But doing so often means having to overcome seemingly insurmountable obstacles, whether natural, economic, political, or legal.

The path is never cleared for you. You have to clear it yourself. You have to see a vivid picture of a bright future even when everyone else is certain that your ideas are crazy, hopeless, pointless, and doomed to certain failure. The voices of the detractors fade, and, in the end, it's the voices of success that sing the song of history.

15 The “Domestic Terrorist” You Can Call a Hero

I dreamed I saw Bernard von NotHaus, alive as you or me.

Said I, “But Bernard, you’ve been jailed two years.”

“I never was,” said he.

Bernard has been the called the Rosa Parks of the alternative-money movement. More than ten years ago, he had this idea that he would make his own money—not the fake stuff we are used to, but the real stuff made of actual silver. He called his currency the Liberty Dollar (and why not, since there is no trademark on the word dollar?).

The feds raided him in in 2006. In 2007, the government outright stole two tons of coins from him, many of them featuring an image of Ron Paul, plus five hundred silver coins and fifty gold coins. They threw him in jail and dragged his name through the mud many times.

He was later convicted of making counterfeit coins—an ironic conviction given that he was making silver coins to compete with official coins made out of scrap metal. That conviction was in March 2011, fully 2½ years ago. The government labeled him a “domestic terrorist.” Yet—and this is what amazed me—he still hasn’t been sentenced. He walks around as free as you or me.

Truly, I was stunned. I was sitting at a wonderful gathering in San Diego, Calif., called Libertopia. It is several days of lectures, exhibits, and panels, along with lots of socializing, by libertarians of many different stripes. I had just finished giving a talk and was sitting out on a puffy chair underneath an outdoor awning.

Up walked a thin, lively, bearded man who came right up and introduced himself. My jaw dropped. I got up and said the first thing that came to mind: “My God, man, you are a hero,” and he blushed sweetly. I asked how it was that he was not in jail. He explained his saga without pathos or fear, and full of confidence that he would be exonerated.

After all, the feds threw every conceivable charge at him. The jury didn’t buy it, but finally did have to admit that he seemed to be producing and

distributing what claimed to be dollars, but differed rather substantially from US-government dollars. That was the basis of the counterfeiting claim. The claim alone implies that somehow he was tricking people, which is ridiculous, since the whole reason his coins were marketable was precisely because his customers knew that his coins were real and, in this respect, differed completely from what the US government distributes.

Think about the many distributive technologies that came out in these frontier days in which a new world was being born. All the Internet giants were being born during these years. Other services were simply distributive, such as Napster, which completely revolutionized music distribution, but was crushed by the feds in 2001.

The result was the deep entrenchment of distributed-network file sharing, which is more ubiquitous than ever before. All these movements were about challenging the status quo in a fundamental way, the daring decision to take on state-blessed institutions and tap into the power of the consuming public to choose private over public services.

The movement was not killed, despite every attempt. What it actually did was change the whole way we get our services, use the Internet, and engage each other in our social and economic lives. In a rapid and thrilling way, we began to see all the ways in which power could be devolved away from the elites and toward the people. It has left a permanent mark on the world.

The Liberty Dollar was part of this movement. For decades, some very high-level intellectuals had taken note of the decline of the quality of money, from about, oh, 1913, all the way to the advent of pure paper money in 1971. The inflation of the late 1970s made the point: There has to be a better way. Economist F. A. Hayek wrote that it was entirely possible that a high-quality private money could compete with a government money.

But who would step out and make the attempt? What entrepreneur would dare come forward and offer up an alternative as a product in the consumer market?

Bernard von NotHaus was the man. There is nothing illegal about minting silver into round shapes and putting pictures on them. It's not even clear that there is anything wrong with calling it a dollar, provided he didn't try to claim it was a government dollar. And this is exactly what he did.

The money monopolists in Washington went absolutely nuts about this. They threw the book at him, and added some of the most hilarious rhetorical flourishes that one can imagine. The attorney who prosecuted the case for the government said the following:

Attempts to undermine the legitimate currency of this country are simply a unique form of domestic terrorism. While these forms of anti-government activities do not involve violence, they are every bit as insidious and represent a clear and present danger to the economic stability of this country. We are determined to meet these threats through infiltration, disruption, and dismantling of organizations which seek to challenge the legitimacy of our democratic form of government.

A present danger? More like a present solution. The paper dollar hasn't brought economic stability, but precisely the opposite. It's been a long string of terrible booms and busts, bubbles and explosions since that fateful day when the gold backing of the dollar was completely removed. The notion that government was trying to protect a marvelous system against domestic terrorism is mind-boggling, since the truth is rather obvious: The government was trying to protect a terrible system from being overthrown by competition.

But they stopped Bernard, right? Didn't he fail? He can be very confident in knowing that he made a gigantic mark in history. He demonstrated that it could be done. He threw a model out there that would not go away. And only two years after the looting of his business, an ambitious computer programmer created a code protocol that became what is now known as Bitcoin.

But the inventor of Bitcoin—whose identity is either completely unknown or one of the best-kept secrets in history—knew better than to operate like a business. He made not silver rounds, but digital units. He didn't store these units in one place, but rather had them live on a globally distributed network that no government can shut down. He relied not on a third-party transmitter, but instead made it possible for this new currency to be traded peer to peer.

Bitcoin is a brilliant combination of the Liberty Dollar's soundness and Napster's distribution methods, with a few extra features thrown in to protect it against shutdowns.

In other words, Bernard von NotHaus took one for the sound-money team, and, in time, the world will see that his instincts were exactly right. Monopolies can't last. Not even the world's most powerful government can keep quality and consumer preference at bay forever. His idea pointed to a bright future in a revolutionary way. The revolution will not occur with guns and battles, but through enterprise, entrepreneurship, and a billion tiny acts of peaceful consumer choice.

When I think of this sweet, inauspicious, brilliant man, I can't help but smile. He is not a revolutionary in the mold of Lenin or Napoleon or even a fulminating media figure. His mode is to make something cool and offer it to people. It's the American way, and it's the height of hypocrisy that he would be persecuted in the Land of the Free simply for having made a better mousetrap.

This is why he is a legend. This is why he will go down in history. And perhaps this is why he continues to wait for his sentencing to take place.

16 Do You Know the Way to San Jose?

I was invited to a high-powered lunch in San Jose, Calif. Some people I knew. Some I did not know, but wanted to. I'm on an email list with these people, and they are constantly giving me great insight into the emerging world of crypto-currency. They are all experts.

But there was a problem. I was stuck two time zones away, nearly all the way on the other coast. But hey, we have tools to remedy that problem these days. As they gathered and sat down in a noisy cafe in San Jose, I pulled up a computer application and clicked a button. Suddenly, my mug appeared on a tablet computer held by an old friend. He said hi and passed me from person to person, and I met them all individually.

I wondered where I would be seated, and hoped it would be next to someone I knew!

(I had previously asked some friends what I should say when the waiter asked for my order. Suggested answers: “megabites,” “a doggy bag,” “a power cord.”)

As it turned out, the audio quality for participating in the group conversation was a bit too wooly to be practical, but as they say, Rome wasn't built in a day. It was enough that I had a genuine sense of being there—something inconceivable even five years ago. It was all made possible through applications that are extremely easy to use and (incredibly) absolutely free to anyone with a digital device (one-hundred-plus dollars) and an Internet connection.

What a world we live in! We've got videophone. We can lunch anywhere with anyone regardless of geography. We can send and print physical objects. Driverless cars are here. We can network and be friends with anyone on the planet through thousands of digital channels. We have information at our fingertips, seemingly endless floods of it.

It's all happened due to vast human energy poured into what used to be called the “practical arts.” Today these are commonly known simply as technology. And this is why I've learned to follow the technology to know

the future. The regulators and the politicians hate it and try to stop it. They can slow it down, but the technology pushes through.

A good example came up the other day. Eight congressmen sent a letter to the CEO of Google that asked a series of probing questions about Google Glass (the new Internet-equipped glasses). There's nothing wrong with questions, but the presumption of the letter was that somehow Congress is in charge of signing off on any innovations released into the market. Hey, guys: In a free society, it's the consumers who approve or disapprove!

OK, back to lunch. There were some seriously smart people there, but they represented only 1 percent of the hordes of super-smart people who were gathered in San Jose for the Bitcoin 2013 conference.

Organizers had originally planned on a few hundred people, maybe. They closed the conference at five hundred, but that didn't work, either. The clamor was so intense that they renegotiated all contracts and made space for the final number of some 1,500 people! That's a huge conference on what many people only a few months ago were dismissing as a geeky niche subject.

Actually, it doesn't really surprise me. Once you use Bitcoin, a new world opens up to you. It is incomparably more advanced than government money. It's a bit like the difference between getting a first-class letter and email. Another comparison might be a 78-RPM vinyl record from the 1940s and an iPod today. It strikes you immediately: This is what money can and should be like.

This is what accounts for its growth and the explosion of energy behind this invention. When you explain Bitcoin to people, the natural and normal response is something like: This is another digital fad that will come and go. Money can't be created by a software programmer. Money is something made by governments.

Then you use it and something changes. You feel the sheer physicality of the thing. You are profoundly aware that you possess something of value. You are an owner. Bitcoin transcends its core code to become a digital replica of gold itself. More than that, it is different from having money in a bank. Bitcoin is privately owned by individuals. It is right there in your control. The usual things that separate us from our money—fees, opening and closing hours, government officials, red tape, and so on—do not exist in the Bitcoin world.

The big controversy at the conference itself was over whether or how Bitcoin should be regulated by the government. In some ways, it is tragic that the discussion is going on at all. Bitcoin has made it this far precisely because it is unregulated—a pure product of the market. But some people

in the Bitcoin world—an emerging establishment, as it were—are anxious to be blessed by the regulators. They think this approach will bring some legitimacy to the sector.

The first shot came about six weeks ago when the Financial Crimes Enforcement Network of the Treasury Department made clear that all Bitcoin exchanges must register as money-service businesses. That announcement caused three exchanges to close. The remaining ones had already registered, except for the biggest one in Japan (Mt.Gox), which had a US pass-through affiliate.

Then just last week, FinCEN made its intention to enforce abundantly clear. It stopped US payments to Mt.Gox that were being made by a dollar service called Dwolla. Treasury froze the accounts and started an investigation. That certainly had a chilling effect on those who imagined a future without excessive regulation!

Following the Bitcoin conference, a beautiful piece of news leaked that might turn out to be another game changer. Two Bitcoin exchanges in Canada (LibertyBit.com and CadBitcoin.com) were both told that they do not have to register at all with Canada's money-laundering regulatory agency. They were invited just to do business the old-fashioned way.

Why is this so significant? It shows very clearly how excessive regulations can drive away technology from any country. If the United States is going to go this direction, there are plenty of other countries willing to step up and provide necessary services. Canada helped US draftees in the late 1960s. Something similar might be happening with US technology in the 2010s.

Digits are the ultimate draft dodgers. Bitcoin is notably fleet of foot.

II

TECHNOLOGY IN THE SERVICE UPHEAVAL

17 Top Alternatives to Paper Money

I've just left the Liberty Forum in New Hampshire, a three-day gathering of hundreds of people who are trying to find ways of living freer lives in times of despotic control. Among many things, this might be the world center for exhibiting monies of the future.

I leave as the proud owner of three types of nonpaper, nongovernmental monies. They operate in competition with the government's dollar. Yes, these include Bitcoin, the mind-blowing digital currency that has techno-geeks, edgy global traders, and even the World Bank buzzing about its potential to finally separate money from the state.

Why are people working on alternative forms of money? It's all about escaping a hundred-year-old trend. Back in the day, the dollar was a name for gold, not just a paper ticket manufactured by a government-chartered central bank.

Depression, war, and deliberate debasement have left us with a dollar that is a mere shadow of its former self. It keeps losing value, of course, rather than gaining value as it would in a free market.

Just as critically, the dollar today serves as the enabler of all regulatory control over our economic lives. Using the dollar means dragging a gigantic and burdensome machinery along with you. It means tens of thousands of regulatory controls, government spying, confiscatory taxation, and endless burdens that are bad for businesses and individuals.

Ideally, the dollar would be totally reformed, made good as gold, and restored to its former integrity. How likely is that to happen? The whole idea depends on the wisdom, good will, and public beneficence of the political and elite class of banking moguls.

Is there any wonder that there is a clamor for the private sector to come up with something new? It's been going on for several decades now, this discovery process we might call "monetary entrepreneurship."

People in ancient days had to discover the best commodities to get progress beyond mere barter. What would best serve as money: something to acquire not to consume, but to trade for other things to consume? Is it

salt? Shells? Silver and gold? Many options are available, and only the best money can win the market competition over time.

Something like this is taking place again today. Government money is risky, carries too much cost, and has an uncertain future to it. People put up with it for convenience and because nothing better seems to present itself.

There is a real opportunity here for monetary entrepreneurs to get to work coming up with something new and letting the markets try it out. Over the last ten years, governments have shot down a number of experiments in private money that used digital networks to monetize gold and silver. It's been a brutal job to retain the government's money monopoly.

Entrepreneurs have learned. New monetary instruments have to protect themselves against government attempts to shoot them down in obvious ways. There are three general ways to do this: back to the basics with precious metals, onward to the future with purely digital money, and some combination of both of these.

My first acquisition is an innovative way to save and spend smaller units of silver. The tiny bars are pretty and clearly mark their weight. Today, each one is worth about a dollar. In the future they could be worth much more. For daily spending needs for cabs, food, and water, these would work quite well.

It's true that they are pretty small and might get lost in your pocket. You have to have some pretty nimble fingers to handle them in a hurry. And even young eyes might need reading glasses to discern the weight.

A solution to this problem comes from Shire Silver and entrepreneur Ron Helwig. It's a simple, but ingenious idea, one he is very anxious to share with others. He takes various strands of gold and silver of many weights and laminates them in a credit-card-size monetary instrument.

The result is convenient and easy to carry and spend. He is not the only maker of these cards. Many others are picking up the idea—a fact that makes Mr. Helwig very pleased (he is the last one to attempt to gain a government monopoly through a copyright, patent, or trademark).

Shire Silver cards are commonly accepted all over New Hampshire. But they are in use all over the world. Helwig gets orders from New Zealand, Brazil, and even Japan. Some orders are valued as low as six dollars, but he receives orders valued at five thousand dollars, too. At the Liberty Forum, he couldn't keep up with the demand, so he brought his machine to the booth. He even let me make a one-gram card myself!

While I sat at the Shire Silver booth, people were also purchasing cards with Bitcoins. This is the first time I had seen Bitcoins in operation as real money. In fact, most things were available in Bitcoins. Here we have a currency created only in 2009, and already it is making possible global

transactions every one or two seconds with someone somewhere in the world.

I downloaded a smartphone application called Blockchain that gave me a wallet of Bitcoins. I've been curious about this whole phenomenon, but there is nothing like owning the currency yourself to underscore the point.

I was able to sit and talk with some of the major players in this emergent industry and gain a clearer understanding of what it is and what it is about. As a result, I'm pretty confident that this is the real thing and has a spectacular future.

I went over to the Bitcoin ATM machine and loaded up while I could. Of course, you can also buy them online (there are many options, but try BitStamp.net or buy them locally from LocalBitcoins.com), but in person, you can get digits for cash, which is especially nice. The trading relationships between Bitcoin and government currency are always in operation, so there is never a doubt about the value of your portfolio.

A year ago, there were more skeptics than there are today. And this is because the market is expanding. There are websites that accept only Bitcoins, such as Silk Road. I also met many people who are paid their normal salaries almost exclusively in Bitcoins. There are companies planning to go public in Bitcoins, which thereby means completely bypassing the SEC and the whole regulatory apparatus.

As you can see, we are really talking about the emergence of a counter-economy, a free-market universe that runs parallel to the dollar-based economy.

Skeptics say: "But I can't use any of these monetary instruments to pay rent, buy a car, or get groceries." Well, that's because these ideas are all ventures that take time to develop. Money is like any other good: It begins with speculation and goes through a period of gradual adoption until it is universal.

Phones were not universally useful until many people had them. It was the same with email. When I first saw an email address, I thought: That's the silliest thing ever, because who will even write this guy? Eventually, the network grew and reached the critical mass and the government's system of mail delivery took a massive hit for the first time ever.

Why wait for monetary reform to come from the top? If the market wants a better-quality money, one that frees markets and makes economic exchange more beneficial, markets will create it out of existing resources and realities. This can even happen when government objects. Government can only defy human desires for so long before people decide that the costs of compliance outweigh the benefits.

The government's money monopoly is crucial to its control over society. What happens when that comes to an end? Imagine the future.

18 Is Bitcoin Real or Not?

A frightening story this week in the *New Yorker* tells of a Texas couple that headed toward the Texas-Louisiana border to buy a used car. They were carrying all their savings in cash. They were stopped by the police. The police found this cash and a tiny pipe, and arrested them both.

Then the police made a deal. They could go to jail and have their kids put in foster care or fork over all the cash they were carrying with them. Yes, it's legal and ever more common under civil asset-forfeiture law. In fact, this law has become a huge revenue source for government (the Justice Department collected \$4.2 billion in 2012 through such seizures).

Now consider a different scenario. The couple was stopped and had no cash at all. Instead, they were carrying a different kind of currency that lives inside a smartphone. When they made it to their destination, they cashed out this currency and bought their used car.

It does raise the question: Is Bitcoin a possible defense against civil asset forfeiture?

Consider the case of Argentina, which right now has extreme capital controls, price controls, and serious inflation. It also happens to be the country with the highest rate of Bitcoin adoption of any country on the planet. Everything including rents and land prices is being quoted in Bitcoin. It is being bought in order to be held, and only later used for more purchases.

In other words, it is being used as money. This is new territory for regulators. Almost all dollar transactions today are digital—just ledger entries, not physical. But people think of the dollar as physical because of its history and roots in real stuff.

Bitcoin, on the other hand, began as a protocol written in computer code. In some ways, it is no more or less a piece of math than the dollar is. But it is much harder to wrap your brain around whether and why it could function as money.

This poses a real problem for government regulators. The Bitcoin economy is growing and expanding by the day, with ever more of a commercial infrastructure. Government can ignore it and pretend it is not an emerging

money. This path is one of denial. It states, without evidence, that only the government can make money, and all other attempts are invalid. This strategy is rather dangerous, because the growth of “crypto-currency” appears all but unstoppable.

The other path is to admit it is money and is being used as money. At least this way the regulators and government can preserve their role as sovereign overseer. But this path too is dangerous, because admitting the monetary properties of Bitcoin offers a path of legal legitimacy that can end only in helping promote further adoption and use.

This was the problem that confronted the federal judge in the case of the well-known scam “Bitcoin Savings and Loan.” From 2011–12, Trendon Shavers took in hundreds of thousands of Bitcoin, promising a 7 percent return, but just ended up spending it. (It’s hard to believe that anyone really got taken in by this guy, whose pseudonym was “pirateat40.”)

In any case, in his own defense, Shavers argued that Bitcoin was not really money. He was receiving code and nothing more, so he can’t really be regulated by the Securities and Exchange Commission or be subjected to taxes and other requirements. The federal judge disagreed, and in doing so, provided Bitcoin the most decisive statement yet on its moneyness.

The judge wrote:

Bitcoin was designed to reduce transaction costs, and allows users to work together to validate transactions by creating a public record of the chain of custody of each Bitcoin. Bitcoin can be used to purchase items online, and some retail establishments have begun accepting Bitcoin in exchange for gift cards or other purchases. The value of Bitcoin is volatile and ranges from less than \$2 per Bitcoin to more than \$260 per Bitcoin. . . .

It is clear that Bitcoin can be used as money. It can be used to purchase goods or services, and as Shavers stated, used to pay for individual living expenses. The only limitation of Bitcoin is that it is limited to those places that accept it as currency. However, it can also be exchanged for conventional currencies, such as the U.S. dollar, euro, yen, and yuan. Therefore, Bitcoin is a currency or form of money, and investors wishing to invest in BTCST provided an investment of money.

So there you have it, a federal judge clearly stating what is a rather obvious reality, but not one anyone could have foreseen in years past. Because it has ideal properties we associate with money, it has taken on value as money through gradual adoption from 2009 to the present.

In one amusing part of his statement, the judge writes: “Bitcoin is an electronic form of currency unbacked by any real asset and without specie, such as coin or precious metal.”

I wonder if he knows that this statement could be applied word for word to the dollar itself.

Every time I speak to people about this issue of crypto-currency, people say that government is certainly going to destroy it through high regulations, taxations, and the like. But let’s make some distinctions here. Certainly government can regulate exchange between government currencies and Bitcoin. It already does that, and that regulation can only intensify. It can also regulate income in Bitcoin the same as with other currency. This is not some tax-free nirvana in the making. The government can also oversee contractual regulations and securities activities in Bitcoin.

However, Bitcoin itself is a peer-to-peer system of cryptographically guarded exchange, and it lives on a distributed-server model. It is not a company. It is not a stock. It is not a product. It is a ledger that no one in particular runs or owns. In this sense, it is not possible for Bitcoin as such to be destroyed any more than government can destroy algebra. This is why there is such interest in its future and why conferences are being organized to discuss the legal, economic, and commercial implications.

It is also for this reason that many people in the Bitcoin world are more welcoming of government regulation than you might expect. These people are very confident that statements such as that of the federal judge above, as well as intensifying regulations over exchanges and the like, are actually bullish signs that help legitimize this money and payment system. Fundamentally, at its very root, the currency unit itself is invulnerable. So the hope for government involvement is really expression of confidence in the underlying code.

Meanwhile, the academic monetary economists can continue to debate this thing called Bitcoin. The market has already decided, and the black-robed judges can only defer to the new reality that crypto-currency is a growing part of economic life in the digital age.

19 Bitcoin for Beginners

Understanding Bitcoin requires that we understand the limits of our ability to imagine the future that the market can create for us.

Thirty years ago, for example, if someone had said that electronic text—digits flying through the air and landing in personalized inboxes owned by us all that we check at will at any time of the day or night—would eventually displace first-class mail, you might have said it was impossible.

After all, not even the Jetsons had email. Elroy brought notes home from his teacher on pieces of paper. Still, email has largely displaced first-class mail, just as texting, social networking, private messaging, and even digital vmail via voice-over-Internet are replacing the traditional telephone.

It turns out that the future is really hard to imagine, especially when entrepreneurs specialize in surprising us with innovations. The markets are always outsmarting even the most wild-eyed dreamers, and they are certainly smarter than the intellectual who keeps saying: such and such cannot happen.

It's the same today. What if I suggested that digital money could eventually come to replace government paper money? Heaven knows we need a replacement.

Money started in modern times as gold and silver, and it was controlled by its owners and users. Then the politicians got hold of it—a controlling interest in half of every transaction—and look what they did. Today money is rooted in nothing at all and its value is subject to the whims of central planners, politicians, and monetary bureaucrats. This system is not very modern when we consider a world in which the market is driving innovations in other aspects of our daily lives.

Maybe it was just a matter of time. The practicality is impossible to deny: Gamers needed tokens they could trade. Digital real estate needed to be bought and sold. Money was also becoming more and more notional, with wire transfers, bank computer systems, and card networks serving to move “money” around. The whole world was gradually migrating to the digital sphere, but conventional money was attached to the ground, to vaults owned or controlled by governments.

The geeks went to work on it in the 1990s and developed a number of prototypes—Ecash, bit gold, RPOW, b-money—but they all faltered for the same reason: Their supply could not be limited and no one could figure out how to make them impossible to double- and triple-spend. Normally, reproducibility is a wonderful thing. You can send me an image and still keep it. You can send me a song and not lose control of yours. The Internet made possible infinite copying, which is a great thing for media and texts and—with 3-D printing—even objects. But reproducibility is not a feature that benefits a medium of exchange.

After all, a currency is useless unless it is scarce and its replication is carefully controlled. Think of the gold standard. There is a fixed amount of gold in the world, and it enters into economic life only through hard work and real expenditure. Gold has to be mined. All gold is interchangeable with all other gold, but when I own an ounce, you can't own it at the same time. How can such a system be replicated in the digital sphere? How can you assign titles to a fungible digital good and make sure that these titles are absolutely sticky to the property in question?

Finally it happened. In 2008, a person going by “Satoshi Nakamoto” created Bitcoin. He wasn't the first to solve the problem of double spending. A currency called e-gold did that, but the flaw was that there was a central entity in charge that users had to trust. Bitcoin removed this central point of failure, enabling miners themselves constantly to validate the transaction record. He had each user download the full ledger of all existing Bitcoins so that each could be checked for its title and not used more than once at the same time. With his system, every coin had an owner, and the system could not be gamed.

Further, Nakamoto built in a system of mining that attempts to replicate the experience of the gold standard. The math equations you have to solve get harder over time. The early creators had it easy, just like the early miners of gold could pan it out of the river, though later they had to dig into the mountain. Nakamoto put a limit on the number of coins that can be mined (twenty-one million by 2140).

He made his code completely open-source and available to all so that it could be trusted. And the payment system used the most advanced form of encryption, with public keys visible to all and a scrambling system that makes its connection to the private key impossible to discover.

No one would be in charge of the system; everyone would be in charge of the system. This is what it means to be open-source, and it's the same dynamic that has made WordPress a powerhouse in the software community. There

would be no need for an Audit Bitcoin movement. Trust, anonymity, speed, strict property rights, and the possibility that applications could be built on top of the infrastructure made it perfect.

Bitcoin went live on November 1, 2008. To really appreciate why this matters, consider the times. The entire political and financial establishment was in full-scale panic meltdown. The real estate markets had collapsed, pulling down the balance sheets of the major banks. The investment banks were unloading mortgage-backed securities at an unprecedented pace. Boats delivering goods couldn't leave shore because they could find no backers for their insurance bonds. For a moment, it seemed like the world was ending. The Republicans held the White House, but the unthinkable still happened: Government and the central banks decided to attempt a full-scale rescue of the whole system, spending and creating trillions in new paper tickets to fill bank vaults.

Clearly government paper was failing. A digital alternative had to exist. But what gave Bitcoin its value? There were several factors. It was not fixed to any existing currency, so it could float according to human valuation. It was made from real stuff: the very ones and zeros that were driving forward the global market economy. And while ones and zeros can be reproduced unto infinity, the new coins could not, thanks to a system in which the coin and its public key were strictly controlled and the ledger updated for every transaction. Its soundness could be checked constantly through instantaneous conversion to other currencies as well as to goods and services. The model seemed impenetrable, the first digital currency that really addressed all the problems that had doomed previous attempts.

A BITCOIN OF ONE'S OWN

Let's fast-forward in time to March 2013. I had become the proud owner of my first Bitcoin. My wallet lived on my smartphone. Only three years ago, some wonderful applications had already developed around the currency unit. Although I'm a bit techy, I'm not a rocket scientist and I'm quite certain that I would have been out of my league. But this is how digital institutions develop to become ever more user friendly. At the same event at which I became a Bitcoin owner, I also used a Bitcoin ATM. I put in the green stuff, held my digital wallet up to the scanner, and then I felt the buzz on my smartphone. Physical became digital. Beautiful.

But still I wondered what exactly I could do with these things. That's when the consumer world of Bitcoin products appeared before me. We

aren't just talking about the Silk Road—a website that became notorious for enabling the easy, anonymous buying and selling of drugs. There are Bitcoin stores everywhere. And there are services in which you can buy from any website with a Bitcoin interface. There was growing talk of Bitcoin futures markets. Some companies were rumored to be going public with Bitcoins, and thereby bypassing the whole of the Securities and Exchange Commission. The implications are mind-blowing.

Still, I'm a tactile kind of guy. I need to experience things. So I went to one of these sites. I bought the first product I saw (why, I do not know). It was a pair of pliers for crimping electric cables. I put in my shipping address and up came a note that said it was time to pay. This was the moment I had been waiting for. A QR code—that funny square design that looks like a 3-D bar code—popped up onscreen. I held up my “wallet” and scanned. In less than two seconds, the deed was done. It was easier than Amazon's one-click ordering system. My heart raced. I jumped out of my chair and did a quick song and dance around the room. Somehow I had seen it thoroughly for the first time: this is the future.

The pliers arrived two days later, and even though I have no use for them, I still treasure them.

Bitcoin had already taken off when the surprising Cyprus crisis hit in a big way. The government was talking about seizing bank deposits as a way of bailing out the whole system. During this period, Bitcoin essentially doubled in value. Press reports said that people were pulling out government currency and converting it, not only in Cyprus but also in Spain and Italy and elsewhere. The price of Bitcoin in terms of dollars soared. Another way to put this is that the price of goods and services in terms of Bitcoin was going down. Yes, this is the much-dreaded system that mainstream economists decry as “deflation.” The famed Keynesian Paul Krugman has even gone so far as to say that the worst thing about Bitcoin is that people hoard them instead of spending them, thereby replicating the feature of the gold standard that he hates the most! He might as well have given a ringing endorsement, as far as I'm concerned.

My own experience with Bitcoin during this time intensified. I began to call friends on Skype and scan their QR codes and trade currencies. I began to rope other people into the obsession based on my experience: you have to own to believe. After one full day of buying, selling, and using Bitcoins, I had the strange experience of resenting that I had to pay a cab fare in plain old US dollars.

How do you obtain Bitcoins? This process can be a bit tricky. You can look up LocalBitcoins.com and find a local person to meet you to trade cash

for Bitcoins. Usually, this exchange takes place at high premiums of anywhere from 10 percent to 50 percent depending on how competitive the local market is. It is understandable why people are reluctant to do this, no matter how safe it is. There is just something that seems sketchy about meeting a stranger in an all-night cafe to do some unusual digital-currency exchange.

A more conventional route is to go to one of many online sellers and link up your bank account and buy. This process can take a few days. And then when you set out to transfer the funds, you might be surprised at the limits in the market that exist these days. Sites are rationing Bitcoin selling based on availability, just given the high demand. It could be ten days or more to go from nonowner to real owner. But once you have them, you are off to the races. Sending and receiving money has never been easier.

DOUBTS?

As of this writing, a Bitcoin is trading for \$88.249. Just three years ago, it hovered at \$0.14. Many people look at the current market and think, surely this is a speculative bubble. That could be true, but it might not be. People are exchanging an unstable, fiat paper for something with a real title that cannot be duplicated. Everyone knows precisely how many Bitcoins exist at any time. Anyone can observe the transactions taking place in real time. A Bitcoin's price can go up and down, and that's fine, but there is no real speculation going on here that is endogenous to the Bitcoin market itself.

Is it a pyramid scheme? The defining mark of a pyramid scheme is that more than one person has an equal claim on the same money or good. This is physically impossible with Bitcoin. The way the program is set up, it is a strict property rights regime with no exceptions. In fact, in early March, there was a brief hiccup in the system when some new coins were approved by one group of developers but not approved by another. A “fork” appeared in the system. The price began to fall. Developers worked fast to resolve the dispute and eventually the system—and the price—returned to normal. This is the advantage of the open-source system.

But what about the vague sense some people have that a handful of coders cannot, on their own, cause a new currency to come into existence? Well, if you look back at what Austrian monetary theorist Carl Menger says, he points out that a similar process is precisely how gold became money. Every new currency is not at first used by everyone. It is at first used only “by the most discerning and most capable economizing individuals.” Their successful behaviors are then emulated by others. In other words, the emergence of

money involves entrepreneurship—that is, being alert to opportunities to discover and provide something new.

But what about a government crackdown? No doubt that attempt will be made. Already, government agencies are expressing some degree of annoyance at what could be. But governments haven't been able to control the cash economy. It would be infinitely more difficult to control a virtual currency with no central bank, with encryption, and with millions of users per day. Controlling that would be unthinkable.

There was a time when the idea that e-books would replace physical books was an absurd notion. When I first took a look at the early generation of e-readers, I laughed and scoffed. Now I find myself looking for a home for my physical books and loading up on e-books by the hundreds. Such is the way markets surprise us. Technology without central planners makes dreams come true.

It's possible that Bitcoin will flop. Maybe it is just the first generation. Maybe thousands of people will lose their shirts in this first go-round. But is the digitization of money coming? Absolutely. Will there always be skeptics out there? Absolutely. But in this case, they are not in charge. Markets will do what they do, building the future whether we approve or understand it fully or not. The future will not be stopped.

20 How the Internet Saved Civilization

I've just completed a heavy schedule of talks at the Agora Financial Investment Symposium in Vancouver. All my talks centered on information economics, Web startups, and the productivity of the Internet and its meaning. As usual, I learned as much from the attendees as (I hope) they learned from my talks. The research I did to prepare blew my mind concerning the role that the digital revolution has played in our lives.

How huge has it become? Well, 2.5 billion people use the Internet every day, and that's nearly 80 percent in North America, 67 percent in Europe, and 43 percent in Latin America. I suspect that Africa's usage of 15.6 percent is actually underreported, because smartphones are flooding the continent by the day.

Other interesting data include: Nearly 140,000 new websites go live every day, half of users bank online, and social-networking users hang out on sites 3.2 hours a day! One point really burned into my mind, because I remember a time in the late 1990s when users were busy burning as much of the Internet as they could onto CDs. It turns out that if you tried to use your home computer today to download all existing content, it could take as long as . . . wait for it . . . eleven trillion years.

The "cloud" has become the new world in which we live, communicate, network, build our professional and family lives, distribute what we know, find out new things, and generally manage the whole of our lives. The migration to the cloud intensifies in speed and substance every day. If you look at a map of what's going on, you realize something else. No one in particular is building this world. It is being built without design by the individual choices of people, one choice at a time.

I can't help but compare this new world with the old. The old world was governed by nation-states with borders and strict organizational charts and categories and plans for all things. The new world transcends states, borders, charts, and plans. It is a spontaneous order, extended constantly by people's desire to know and connect. It is the most poignant and beautiful example in our midst of the capacity of people to organize their lives on their

own, with the assistance of merchants, coders, promoters, entrepreneurs, and property holders.

The CEO of Google recently summed it up in this profound statement: “The Internet is the first thing that humanity has built that humanity doesn’t understand, the largest experiment in anarchy that we have ever had.”

By “doesn’t understand,” he means that no one person can possibly comprehend the extent, structure, or direction of this order that is emerging in our time. The knowledge that makes it possible is decentralized among billions of users themselves, each of whom grasps only the discrete choices that he or she is making at any one instant. You can see the whole only in the way that you can only see the fullness of a city by flying above it and looking down. The orderliness of it all becomes clear. But from that vantage point, you miss the detail that makes it all work.

The political implications have yet to dawn on this generation. We somehow keep pretending as if governments are in charge. They are not. Yes, they loot, menace, regulate, posture, preen, and hector. But they do not finally control. It simply is not possible. Even the strictest regulations that exist in places like China are a national joke.

If people really understood the implications of the rise of the global order in the digital cloud, everyone the world over would completely bail out of the illusion that our analog-age governments can make any kind of positive contribution to our future.

I was thrilled that there were so many people from older generations who attended my talks and paid such careful attention. They asked so many wonderful questions. Even my discussions of cutting-edge issues like Bitcoin drew an intense amount of interest from older people. This completely defies the stereotype, which I’m convinced is a canard.

Older people see their kids working in industries in which the Internet is central. It has saved them from loneliness by keeping them connected to their kids, grandkids, and great-grandkids. They see their grandchildren starting businesses on the Web, and watch in amazement as the great-grandkids use new tools so effortlessly.

They see the future, and they’re thrilled to see that it is bright. They want to know that when they leave this world, they will leave behind a world of hope and promise. They are seeing hope in this sector, and it thrills them.

Sometimes I play with an alternative history in my mind, one in which the Internet had never been opened to the private sector and there had not been any technological progress since, say, 1990. I’m pretty sure the economic environment would be dreadful beyond anything that’s been

experienced in hundreds of years. Despair would have swept the earth by now. Governments—their taxes, regulations, money manipulations, and controls—would have killed off any hope of prosperity.

But that didn't happen. We were bequeathed this glorious new space in which to build and live, and it is largely a place that government cannot control with anywhere near the ability with which they once managed the physical world. The innovation essentially gave civilization another shot at survival after humankind made such a mess of the world in the past. Digital spaces unleashed humankind's creative energy when the masters of the physical world had almost killed it off.

People asked me about my optimism. The best case I can make for it is as follows.

The state in all times and all places wants a population of despairing, dreary, hopeless, and weighted-down people. Why? Because such people don't do anything. They are predictable, categorizable, pliable, and, essentially, powerless. Such people offer no surprises, threaten no change, and destabilize nothing. This is the ideal world that the bureaucrats, the plutocrats, and the technocrats desire. It makes their lives easy and the path clear. Today is just like yesterday and tomorrow—forever. This is the machine that the state wants to manage, a world of down-in-the-dumps and obedient citizens of the society they think they own.

In contrast, hope upsets the prevailing order. It sees things that don't yet exist. It acts on a promise of a future different from today. It plays with the uncertainty of the future and dares imagine that ideals can become reality. Those who think this way are a threat to every regime. Why? Because people who think this way eventually come to act this way. They resist. They rebel. They overthrow.

Yet look around: We see progress everywhere. What does this imply? It implies that noncompliance is the human norm. People cannot be forever pressed into a mold of the state's making. The future will happen, and it will be shaped by those who dare to break bad, dare to disagree, and dare to take the risk to overthrow in favor of what can be.

I realized all this some years ago, and when you begin to look around and see how the power elites do not and cannot rule, you discover the whole secret to social order. It turns out that they are not really in control, not finally. Then it all becomes fun.

It is a blast to see the powerful topple from the thrones they want to sit in so badly. It is a thrill to use and hold technologies, as we know them, that no one among the elite ever gave permission to exist. It is a kick to see how the

market—meaning human beings acting with vision toward the future—is so constantly outwitting the arrogant planners who want to freeze history, control our minds, and wreck our world.

To defy them is so simple: Just imagine a future better than the present. You become an enemy of the state, and you begin to love every minute of it. You become part of the solution and see that your life and energies are worthwhile and making a difference. How fortunate we all are to be living in these times.

21 Money Can and Should Be Private Property

I was daydreaming over the weekend. The subject: notable intellectual epiphanies I've experienced in the course of my life.

These are moments when someone reveals something to you that shakes you up. It runs contrary to everything you ever thought possible. You resist it at first, but can't come up with a proof to the contrary. Finally, you embrace it, even with some discomfort. As the insight settles in, the world seems like a different place. You never shake off an epiphany, and you don't really want to. It haunts you forever.

Bitcoin is one of those. Well, not directly. But had it not been for another epiphany, I would have paid no attention to the gaggle of geeks and their squawking about some new Internet money.

I was twenty years old and studying economics, with a focus on monetary policy and how it should be conducted. Somehow, I came across a monograph by Murray Rothbard called *What Has Government Done to Our Money?* Most of the content was familiar. It told how central banks and inflationary policies reduce money's purchasing power, and why a hard-money system would be better than a paper-money system.

All fine. Agree. But there was this small section in this book, only a few paragraphs long, in which Rothbard made the claim that shook me up. He said that government doesn't need to be involved with money at all. Money came from the market and it can remain part of the market. Producers can mint money the same as other producers make food, shoes, and calculators. Money is just a good like any other. It should be fully restored to the market, and government should keep its mitts off it completely.

This blew my mind. Why? Because it seems outlandish. Everything we know about money as a thing involves government. Every bill has a politician's picture on it. It is printed by the US Treasury. Banking and monetary policies always involve big shots with power. It's been true in my lifetime, my parents' lifetime, and their parents' before them. It's true in the nineteenth century too, and all the way back to the Revolutionary War.

Hasn't money always been this way? Look at the Bible, for example. Jesus was confronted with a Roman coin with a picture of Caesar. He asked to whom it belongs, and he gave a puzzling and even evasive answer. In this case, and in every other I had known, government and money just go together.

Well, there is another history that we aren't taught in school. Money originated and was produced privately. It was only later taken over by government, and for obvious reasons. A government that controls the money controls the economy. It is in a position to devalue the people's money and have a source of revenue without taxing people. It can pass out favors to powerful members of society.

But government money is never stable. Private alternatives keep re-emerging. It was true in the Middle Ages. Private mints thrived—until they were shut down. It was true in the Industrial Revolution—until the private mints were shut down. Even in the United States in the nineteenth century, private currencies were a feature of every frontier territory—until they were later shut down.

In the twentieth century, money was nationalized in all countries by governments. This happened in 1913 in the United States with the creation of the Federal Reserve. Government took ownership and gave control to a private cartel. The private cartel agreed to support the government. And in return the government would provide legal cover to the cartel to guarantee its stability and longevity. The rest of the history of depreciation and business cycles was already in the bag. It was just a matter of time.

But what about today? Is there really a way that money could be privatized again? Can we somehow restore sound money by making it privately produced and owned? Of course. Government only needs to get out of the way. Free enterprise would take over from there. How can we be sure? Well, money is rather useful. The private sector specializes in making and managing useful things.

Will it happen? Anything is possible, I suppose. But actually, there is no earthly reason to believe it will happen. The case for fundamental reform has been on the table for decades. The evidence that we need it is everywhere around us. But politics and scientific evidence don't mix well. The political class and its financial backers do not want reform.

Without them, reform is not possible. It's great to talk about the gold standard, but such talk is a pure abstraction in today's climate.

Is there a ray of hope? Sure. James Cox in his excellent book *Bitcoin and Digital Currencies: The New World of Money and Freedom* shows that there is a pattern at work here. Money first emerges as hard money. It is then

taken over to become soft money, which the government then destroys. At this point, money gets reinvented by markets, and the cycle begins anew. He demonstrates the existence of this cycle from the ancient world to the present.

What form does sound money take in the digital age? Cox says it is digital. Bitcoin, then, represents the embodiment of a new private money—the Internet equivalent of the gold standard. It has all the properties of great money, but even improves on gold, because it operates as both a money and a payment system.

No money in history has managed to be both at once. This is because Bitcoin doesn't have the storage and transport costs that other sound monies have had. With gold and silver, you need institutions to move the stuff around. You need institutions to process payments. You can exchange “peer to peer,” but it is cumbersome—and somewhat ridiculous in a global economy in which digital and universal trade is the norm.

This is why Bitcoin is so significant, and even epoch changing. It deals with many problems at once. It solves the problem of having to trust third-party payment systems. It gets government out of the picture. It provides security for users by using the highest possible encryption standard for exchanges. It enables peer-to-peer exchange even in the absence of geographic proximity. And its surety as a money is even more uncompromisable than gold and silver, which have to be physically stored and can always be confiscated.

In Cox's view, then, Bitcoin is the beginning of a new stage of monetary economics, one characterized by hard money. But it stands a greater chance of success than that which came before because it is protected against nationalization by government. Government can't abolish math. It can ban math, but it won't likely succeed. Similarly, it can ban Bitcoin, but Bitcoin won't care. It is going to continue to grow and do what it wants to do.

So far, this is the best book to appear on the subject of Bitcoin, because it puts the innovation in the context of the whole of monetary history. This is a perspective we've so far missed. Cox argues that it is the new safe haven and, even more than that, it is advent of a new form of monetary freedom.

To be sure, Cox sees potential problems. The government can attack the exchanges—and indeed, government has already done this. There is a potential technical problem that we will encounter many years down the road when the mining stops (2140), and there is no incentive for transaction verification. Finally, Cox says that the real threat to Bitcoin's future is not technological, but economic. Other currencies could come along that will make Bitcoin obsolete.

Had it not been for my epiphany when I was twenty, when Rothbard proved to my satisfaction that money can be fully private, I would not have believed a word of this. I understand why some people are incredulous about digital currency. These same people have real doubts that markets can reinvent and manage money. Yes, in an age of nationalized money, such an idea seems crazy. But look at Bitcoin today and you see it happening already. A new world of money and freedom is already emerging.

Remember, too, that Bitcoin is only four years old. When the enterprise-driving portion of the Internet was four years old, Amazon.com looked like nothing impressive, and all the pundits were putting it down as an inevitable flop. So too for Bitcoin. Take a longer view. You might have an epiphany.

22 Should Bitcoin Be Regulated Like Dollars?

The opening talk at the Bitcoin 2013 conference in San Jose was given by the Winklevoss twins, purported owners of 1 percent of the world's existing Bitcoins. They addressed the burning question of whether and how much Bitcoin ought to be regulated by government.

Their primary message: "I don't think anyone wants a fight—I think everyone here wants to build Bitcoin, to work with regulators. . . . Cooperation is really the way forward."

That was the opening salvo. The Bitcoin Foundation's executive director also weighed in. "It's time to engage with regulators and have a good, productive conversation," Peter Vessenes told CNET. This comment, and the foundation's intention to hire a lobbyist, prompted widespread calls from the rank and file for the foundation to be dissolved.

And yet, apparently many people in the financial world agree with this nascent Bitcoin establishment. From their perspective, every regulation confers a welcome legitimacy on the currency/payment system, and grants it greater chance for market success. Already, people at the event this past weekend's conference were discussing whether the Commodity Futures Trading Commission or the Securities and Exchange Commission would be the best overseer.

In private discussions with people who are pushing for this approach, the pro-regulation people view intervention as inevitable, and so therefore it is better to get out in front and push for rules that are not harmful but beneficial.

The presumption is that there are only two options here: government prohibition or government management. The third option—our forgotten and disrespected friend called *laissez-faire*—is not even considered a realistic option.

Some people just think that being controlled by the heavy hand of the state is part of the maturation process. Despite the evidence of all of human history, the pro-regulation side here just assumes that public policy will be benign and even helpful, and, in the end, actually help support more development.

And yet, it was the framework of *laissez-faire* that led to Bitcoin's creation and adoption in the first place. The creator going by the name Satoshi Nakamoto didn't propose his invention and submit it to the patent office or seek out some government R&D funds. The early adopters weren't alerted to the opportunity by any government jobs program. The new businesses that have sprung up around Bitcoin didn't go crawling to the Small Business Administration.

Essential to the magic and wonder of Bitcoin—and you can actually say this about most technologies in human history—is that it came about spontaneously within a market process that encourages and rewards creativity, risk taking, trial and error. There have been no barriers to entry, and anyone can get into the market. This feature has been crucial to its success.

That was also true with planes, trains, and automobiles—all of which fell to the heavy hand—but there is something special about Bitcoin that makes it inherently resistant to government control. It is built on code. It lives in the cloud. It is globalized and detached from the nation-state, has no institutional owner, operates peer to peer, and its transactions are inherently pseudonymous. It cannot be regulated in the same way as the stock market, government currency markets, insurance, or other financial sectors.

Government has lots of practice at controlling the physical world, and not so much at doing the same in the digital world.

In the end, that might be Bitcoin's most redeeming feature (among many). It's as if its creator anticipated this moment, that coming together of the old-line money business, the revenue-seeking government, and a would-be new establishment that wants to maintain industry dominance. The protocol itself resists regulation in the old-fashioned sense. That is built into its very structure.

On the other hand, even the attempts at government regulation can do damage. Earlier this year, the Financial Crimes Enforcement Network of the US Treasury Department weighed in to make clear that every Bitcoin exchange must be registered as a money service under the Bank Secrecy Act. Already, some exchanges had made themselves compliant. But within days, three exchanges shut down.

How many new exchanges might have been deterred from starting up, we can't know. And already Canada is working to court refugees from this law.

This intervention was just the beginning. The first round of regulation will continue to target the exchanges and focus on reporting requirements and consumer protection. But it won't stop there. Users will be next, with a focus on moving money from here to there. There will be dollar-based

triggers on how much in Bitcoin funds can be moved without self-reporting. Then of course the tax authorities will be involved to get a cut of every transaction.

Just think through how many different sectors are covered under Bitcoin's reach. After all, we are talking about an innovation that defies every previous categorization. It is a payment system and a means of payment itself. It is an emerging money. It is a financial instrument and a proto-commodity. It will be subject to capital markets' speculation. In the future, it could take on new functions in insurance, loan markets, labor contracts, and international trade.

In other words, there is probably no bureaucracy in Washington that won't be able to dream up some rationale for sinking its teeth into Bitcoin in some way. Strangling innovations and adding more costs on institutions doesn't seem like a good path forward. In fact, one of the great reasons we need Bitcoin right now is precisely because government's control over the dollar has created such wreckage all around. Why would anyone think it would turn out differently under Bitcoin?

The real danger of all these attempts to regulate digital currency is that they will encourage the emergence of parallel sectors in the Bitcoin world, one fully compliant and one thriving in the gray and black markets. After all, the feds have not even been able to stamp out unregulated behavior with old-fashioned dollars. They face an impossibly more difficult task with digital currency.

These approaches could end up sending the emerging Bitcoin commercial world abroad, and causing the industry to self-regulate in a way that excludes American consumers. Already, the major Bitcoin gaming site Satoshi Dice has announced that it will no longer permit access from US-based IP addresses.

Even now, the use of Bitcoin is arguably more developed abroad. It's big news in the United States when a house for sale is priced in Bitcoin. But in a country like Argentina, it's common for rental and buying contracts to be priced in the digital currency. At this rate, the United States could find itself falling far behind the rest of the world in continued digital-currency development.

We live in a global economic environment, and every Internet user has the tools to get around even the most egregious regulations. For my part, over the long run, I'm not worried that Bitcoin can be killed or even slowed by all of these misguided attempts. But they will create opportunities for arbitrary enforcement and unnecessary invasions.

Remember that every act of government ultimately reduces to an act of violence against person and property. When you see the word regulation, think of cops with clubs and Tasers. Think of fines, courtrooms, jails. These are the essential means by which government operates to control society.

It might be a pointless plea, and feel free to tell me to get my head out of the sand, but I'll just ask the question anyway: why not give freedom a chance? We have a wonderful opportunity here. Let's not screw it up, again.

23 Bumps on the Bitcoin Road

Now that Bitcoin seems to be on the way toward monetization, or at least the long process is noticeably under way, there are a number of issues that are troubling people. I will deal with a few here. Note this crucial distinction that is somehow lost on many commentators on the Bitcoin issue. The flaws are not with the technological unit itself, but with its mode of delivery in real market conditions.

When do we know it is money? As I was preparing a report for subscribers of the Laissez Faire Club, I was going through the list of goods and services currently priced in Bitcoins and available on the Web. It is mind-boggling how many there are. I'm not sure I knew just how much you can get right now. The conspicuous hole in this panoply is local merchants—the pizza joint down the street, the rent, the cab fare. Otherwise, anything you can buy on the Web, you can buy with Bitcoin.

Then it suddenly occurred to me.

If you put this list together and look at the total, what you find are more goods and services available right now using Bitcoin than have been available to almost everyone in all times and places using any money that has ever existed in all of human history except for the past few years.

True, you can buy more with dollars now, but you can get more stuff with BTC now than you could get with dollars in the 1980s or any earlier time in history. You can buy more varieties of grain, cereal, and spices now than you could get with government money at the local grocery back then. You can buy smartphones, tablets, scanners, and cameras that didn't even exist back then. You can get clothing at prices that were unthinkable back then.

In other words, from a broad historical perspective, Bitcoin is already one of the most functional currencies in the history of humanity.

What keeps it from being money—Bitcoin's value is constantly assessed in terms of its exchange ratios with government currency—is not its usability, but its stage of development. Its volatility is a problem that raises other problems. The other problem has to do with the current infrastructure of

Bitcoin that is not sufficiently mature to justify calling it a full-blown money at this point. All the signs look great, but we are not there yet.

For example, many in the Bitcoin world today are enormously frustrated with Mt.Gox, the Bitcoin exchange in Japan that processes some 67 percent of the Bitcoin business on the Web. That's down from its near-monopoly status just two years ago, and its percentage of overall business will continue to decline.

One factor that troubles many is that Mt.Gox is highly conventional in its political relationships with the state. Just getting an account requires a great deal of information, more than most people would give even to open up a local bank account. There is no anonymity—not even close. However, this situation will surely be short-lived. The more government money moves to digital currency, the more exchanges can rely on a self-sustaining Bitcoin economy. The problem of state-connected, privacy-violating corporations is a feature of the transition, but not of the long-term operation of the system.

The process toward this self-sustainability will follow no predictable course. In the digital age, conditions can change extremely rapidly. As we saw with Cyprus, if people believe that government can rob them of their money, they will do what they can to move it, regardless of ideology. No one likes to be robbed. A technology that can prevent that can go from obscurity to ubiquity in days.

But there are other problems with Mt.Gox. It has borne the brunt of anger for several instances of technical failure since 2009. Most recently, the run-up of the dollar-to-BTC exchange ratio from 30 to 266 in a matter of days overwhelmed Mt.Gox's servers. At the same time, the service was hit by DDoS attacks. After the onslaught and constant crashes that drove a selling panic, the company finally declared a cooling-off period of twelve hours while it upgraded its servers.

Right now we are watching a mad scramble for other services that can provide more reliable service and thereby diversify the Bitcoin trade. Many people sense that the market function of price discovery is being inhibited by industrial concentration in the world of Bitcoin. It seems unsustainable for there to exist tens of thousands of Bitcoin retailers and services but for one company to so thoroughly dominate the producer end.

But there's a beautiful thing going on here. There are no restrictions on establishing a Bitcoin exchange. The barriers to entry are extremely low, and there are not yet any prohibitive legal barriers. This means the competition for handling coins is already very intense. For Mt.Gox to survive in this environment will require it to be unrelentingly innovative.

Is it? All services like this wear their flaws on their sleeves, because they are seen by 100 percent of users. When things go wrong, we lunge for our rotten tomatoes and start hurling them. Having been on the other side of this for many years, my sympathies go out to any company faced with these sorts of problems.

In the world of server administration and website management, problems are preludes to solutions. The failures serve a profoundly important purpose: They draw attention to the weak points of the current server and database configuration. Things have to break in order for them to be fixed properly and with precision. One hates for this to happen in real time, but such is the way with markets. This is no perfection out of the box, and this is the way it must be. The upheavals are more productive in a market economy than the stability. And again, these problems have nothing to do with Bitcoin, but rather with the infrastructure in which it is being introduced to the market.

A larger problem with Bitcoin concerns its essential structure that lends itself to growing value in terms of goods and services over time. This is also known as deflation. With a supply that grows on a predictable basis leading to a final fixed supply, it will always buy more and more. Why would that be a problem? Deflation poses special problems for merchants.

Let's say that for one hundred Bitcoin, you buy five tablets that you intend to resell at a profit. But by the time they enter the market, the value of Bitcoin has risen and you can't resell them at a reasonable markup. This is a similar situation many merchants found themselves in with memory sticks and thumb drives over the last ten years. They bought them and ended up eating them, given their falling retail prices.

How can merchants deal with this? Well, we can be inspired by the software and computer markets over the last twenty years. Deflation has been the rule. The retailers who have made it through have proven themselves to be radically "antifragile," in the neologism of Nassim Nicholas Taleb. They have adapted through limited inventory, providing top service, excellent marketing, and a general reliance on relentless improvements in product quality to carry the day. These have been gigantically profitable industries in spite of the constant fall of prices of their goods relative to money.

If Bitcoin does, indeed, grow in value over time, savers will be rewarded. But never forget this fundamental truth: The only point of saving is eventual spending. Those who are hoarding Bitcoins today will be on the market for Bitcoin products and services tomorrow. This is a truth that Keynesians of all sorts turn away from, but it highlights the reality that hoarding is actually a productive force in the market economy.

Still, replicating that model with today's wild volatility of Bitcoin seems implausible. But this raises another issue. Why should this volatility matter in our minds at all? Because the market is still in its infancy. We are accustomed to constantly checking the price of Bitcoin in terms of other currencies. It does not always have to be this way. For example, most people today couldn't tell you anything about the dollar-euro exchange rate, because it just doesn't matter. The more we deal in one currency, the more we think in terms of that currency, not its exchange rate.

Bitcoin will have matured as a currency when people concern themselves not with the exchange rate in terms of other monies, but with its value against the goods and services it buys. At that point, it will not be necessary for merchants to constantly adjust prices. The prices in Bitcoin will have meaning on their own. Even now, Bitcoin users grow tired and frustrated with the relentless focus on its dollar price. This focus tempts people to think of Bitcoin as a speculative product or investment, rather than what it seeks to be: an emerging unit of account.

Part of the irony of Bitcoin's volatility is that it is a sign of its success. The markets are testing it, flitting between belief and doubt based on events such as bank runs and currency upheavals. It is a viable alternative today to government currencies, which is why we are seeing panic rushes to buy, followed by panic rushes to sell. Once the futures markets of Bitcoin have matured, we will start seeing those ups and downs smoothed over in a way that at least incorporates the speculative judgments of the players with skin in the game.

So yes, there are myriad problems between where we are today and where I think we will eventually be, with money finally leaving the analog age and entering the digital age. But the trajectory is clear, and those who see this and act on it will be ahead of the historical curve.

24 Sailor Tales from the Bitcoin Seas

As someone who only recently dived into the rocky Bitcoin waters—and discovered a world I had never imagined—I enjoy talking to others who have been there longer. There are some amazing stories out there. We are sitting here today with Bitcoin comfortably trading at 1 BTC to \$134, and we take it all for granted. But it was not always so.

Bitcoin came into the world worth absolutely nothing in January 2009, only four years ago. In late 2010, it started to move up in ways that blew the minds of innumerable skeptics. In February 2011, there was a milestone that stunned people who were paying attention. It seemed like the impossible was happening, or maybe it was just a crazy bubble.

It was in that month that Bitcoin achieved parity with the dollar. You could trade one Bitcoin for one dollar. It had officially arrived, or so it seemed. Some hyper-geeks who had been owners of thousands of Bitcoins figured that the moment had arrived. They sold their Bitcoins for dollars and made several thousands of dollars. That was the end. They congratulated themselves for being savvy speculators.

Whoops. If they had held on, what might have happened? Well, they would be millionaires today. But once they sold, they had to spend even more to acquire the same amount. Welcome to the real world of speculation. You win some and you lose some. Sometimes both happen with the same trade.

The “early adopters” know this sector very well. They are not shaken at all by the run-ups and sell-offs. They know not to panic in either direction.

One of the fascinating things about this market is how it has drawn in a younger generation to do boots-on-the-ground investing. It has taught people a number of important life lessons, such as to avoid doing the obvious. If you do what is obvious, you buy high and sell low. To do the opposite requires you to break from the pack and trust that your knowledge is better than that of the screaming mob out there.

If you talk to savvy Bitcoin people, they will be the first to tell you that the

intense focus on the exchange rate—which afflicts virtually every “newbie” out there—is absolutely wrong. If anything, they say the exchange rate is a distraction.

The purpose of this virtual currency is not to be a speculative vehicle, but rather a means of exchange—a real money. Of course, it has to have value in terms of goods and services in order to achieve that, and that value can also be assessed in terms of existing government monies. But the real aim of this combination payment system and means of exchange is to go its own way as an authentic money.

If this happens, a new world opens up. Just imagine that a Cyprian-style haircut is scheduled in the United States. Ben Bernanke is plotting a press conference to announce an across-the-board tax on all bank deposits in order to refund the Federal Deposit Insurance Corp. This is not bad for you, he will point out, but actually good, because it saves the banking system, and therefore, 99 percent of your money. If you object, he reasons, you are being shortsighted.

But before he gives his press conference, he remembers that it is a new world. Vast numbers of people have already set up a direct link between their bank accounts and some Bitcoin exchange. As soon as the rumor leaks, people can easily log in and exchange dollars for Bitcoins. Billions could disappear from the money supply in a matter of hours—government money escaping to the private sector cloud, where it cannot be traced or accessed.

What then? In this case, Bernanke’s plans all come to naught. He will fear his own policies could backfire simply by causing people to lose confidence in the system. By then, people will be aware that they can buy all the tools, groceries, and pharmaceuticals they need with Bitcoin. By that time too, Bitcoin debit cards will make it possible to get gasoline. Under those conditions, what is the point to keeping anything but the bare essentials in dollars?

Might Bernanke rethink his little press conference? Probably. In other words, Bitcoin has suddenly done more than the US Constitution to restrain the state and its banking cartel. The people are no longer monetary prisoners; they have a means of escaping into a realm of monetary freedom. This escape hatch turns out to be a core guardian of freedom and prosperity.

Two years ago, this vision would have seemed outlandish, but today? It is an approaching reality. And unlike gold, which has the problem that it must be kept physically, Bitcoin can live in the cloud, out of the reach of all the bad guys, essentially forever. This is probably the most difficult aspect of Bitcoin for people to grasp.

Now, to be sure, I'm writing as someone only recently converted to the cause of digital currency, so I love nothing more than to talk with people with longer experience. They also have tales of losing money, not just in terms of its exchange rate, but actually losing real coins in the course of buying and selling. It can happen, and almost every case I've heard of is traceable to user errors. You send money when you don't mean to. You get your wallets tangled and find that you have mislaid them. This is a particular problem for people who keep their wallets physically on their hard drives and then suddenly find that their computer won't boot up.

What's the solution? Aaron Lasher of Real Virtual Currency talked to me at length about the merit of "cold storage." By way of explanation, hot storage is what you have on hand to use in daily transactions. But cold storage is a way of keeping your coins offline and safe so that no one can access the stuff. You can bring the coins from cold to hot, but it requires a transaction. Many exchanges and client services now offer this feature.

There is an even deeper method of doing the same thing using what is called a "brain wallet." Under this system, you come up with a forty-character phrase. It could be a poem or a series of random words. You put that into a converter union that changes it to a long private key. Then you move on with your life.

Should the time come when a solar flare hits, or you get in a shipwreck, or you find yourself exiled to Guantanamo Bay, your money is absolutely safe. When real life returns and you get back to normal—this could be years later—you only need to type in your brain-wallet phrase, and your access is unlocked. All your money is there, all without having to hide it physically or launder money or any such thing. A brain wallet, then, is the most secure way that anyone can possibly imagine to keep coins.

And it addresses a fundamental fear that many people rightly have.

I'm most fascinated by seeing how the development in the Bitcoin world is proceeding in a beautiful way. We are seeing more retailers jumping onboard. We are seeing exchanges open up. Venture capital is pouring in. The Keynesian punditry class is furious and denouncing it. The theoreticians are taking up the cause.

25 What Bitcoin Is Teaching Us

“Thanks to Bitcoin, I am now living debt-free, just today managed to pay off all of my credit card debt!”—so reports a poster on Reddit, and the statement was echoed by many others. A currency that not only discourages debt, but earns enough money to pay off previous debt, plus encourages saving?

It seems unthinkable to people today. That’s because none of us in living memory has had experience with a currency that rises in value. The emergence of Bitcoin—a digital currency that has grown in purchasing power over time—has changed that experience dramatically. As a free-market currency, it does what currency should do, which is increase in value over time.

Conversely, government currencies usually fall in value. That’s the only kind of currency we’ve known throughout our lives. This reality affects our personal financial decisions in ways that we aren’t always aware of. We’ve come to assume that there is no inherent prize to be won by merely holding money.

With paper money, governments and central banks are in a position to punish holding money. Because it can be created without limit, discipline vanishes. Individuals, families, businesses, and government can ramp up spending without limit and avoid the consequences of their behavior. There’s no reason for them not to be profligate.

The dollar didn’t always behave this way. During the Second Industrial Revolution, after the Civil War in the so-called Gilded Age, we had a gold standard. Prices were generally declining for everything. Another way to look at it: The dollar was growing more valuable. It’s almost impossible for us to even conceive of a world that worked this way.

The dollar bought three times as much grain in 1894 as it did in 1867. It bought nearly twice as much cotton in 1877 as it did in 1872. Farmland became more affordable. In general, the dollar gained 2 percent in value through the whole period. Wages were falling nominally, but rising in real terms, simply because the dollar could buy more. You were getting raises even without begging the boss.

During the same period, population soared and output expanded at levels we've not seen anywhere in living memory. Today, we celebrate 2 percent and get on our knees in gratitude that production isn't generally falling. But back between 1870 and 1890, we saw growth rates of 6 percent and more, and that became the new normal. Sound money was the basis of unprecedented prosperity.

The twentieth-century experience flipped our expectations for what money should do. Especially in the postwar period, the falling value of the dollar punished savings and rewarded spending. This is exactly what the Keynesian economists hoped for. They wanted money always circulating and never "hoarded." "Deflation" was to be avoided no matter what.

To be rewarded for savings, we needed interest that outstripped inflation. That worked for a while, but starting about twenty years ago, the central bank conspired to deny us even that. Today, there is no reward whatsoever. There's no point to keeping paper around. We hold money only to prepare for future uncertainties, not as a way of investing.

How does this affect the culture? It has a profound effect. It means that people need to be constantly nudged to save. We anticipate losses in holding money, but expect gains by buying and holding stuff like homes. We spend what we can and live at the height of our earning power, which is to say slightly beyond our means. This is the pattern by which many generations have lived.

This tendency has dramatically depleted the capital stock. Again, Keynesians have celebrated this as a wonderful thing. Actually, it is a terrible thing, because it puts the entire economic structure on life support. We end up depending more and more on the central bank and less and less on our own personal wealth. Debt becomes the basis for life itself. If anything threatens to cut off the flow of relentless credit, everyone freaks out.

How does Bitcoin change this? It rewards holding money. It impresses upon the human mind that the cost of spending money is not just the money spent, but also the foregone gains that you would have otherwise realized by saving.

You can try this experiment at home. Let's say you have a problem teenager who lives like everyone else, throwing around cash and seeing no point whatsoever in saving money. Send that kid a Bitcoin and see what happens, even without hectoring instructions.

To be sure, he could spend it right away on BitcoinStore.com or somewhere else. But there would be hesitation before that happened. After all, on January 1 of this year, Bitcoin was worth fifteen dollars. As we write, Bitcoin is trading for \$218 on the most popular exchange, Mt.Gox.

The thing has been increasing in value daily. Far from wanting to spend it, there would be every reason to hold it.

The kid would even become reluctant to spend on fripperies. Even the act of spending means a current and future loss.

To be sure, this value-increasing pattern of Bitcoin is taking place ridiculously fast, but the point remains: With sound money, there is merit to saving. It is not even something you have to teach. It is something that is built into the program. It changes all our incentives.

Bitcoin is based on the idea that the money supply can and should be fixed. There is an upper limit of twenty-one million Bitcoins that can be created, and none of us will be alive when that limit is reached. In the meantime, only one Bitcoin “block” is added to the existing stock every ten minutes. You can’t create more by pyramiding loans on top of existing Bitcoins. A credit market can emerge, and there surely will be these markets, but they won’t actually cause new units of the currency to magically come into existence.

That’s why Bitcoin is often described as a “deflationary” currency. This is exactly why Paul Krugman hates it so much. He very astutely observed in 2011 that this currency means the end of the pattern of a full century, and this is why he hates it:

In effect, Bitcoin has created its own private gold standard world, in which the money supply is fixed, rather than subject to increase via the printing press. . . .

What we want from a monetary system isn’t to make people holding money rich; we want it to facilitate transactions and make the economy as a whole rich. And that’s not at all what is happening in Bitcoin. . . .

And because of that, there has been an incentive to hoard the virtual currency, rather than spending it. The actual value of transactions in Bitcoins has fallen, rather than rising. In effect, real gross Bitcoin product has fallen sharply.

Here’s what’s beautiful about this experience: It doesn’t matter in the slightest what Paul Krugman thinks. It doesn’t matter how many economic experts Paul Krugman lines up to oppose Bitcoin. It doesn’t matter how many Nobel Prize winners denounce it and oppose it. That’s because Bitcoin is not a “policy” invented by elite and privileged intellectuals. It is a market-based currency, one created by an entrepreneur and chosen by market players.

And this brings us to another lesson that Bitcoin has taught us. Money is like any other good in society in that it can be produced and managed entirely

by the free market. This is the reverse of what scholarly opinion has said for more than a hundred years.

Every expert will tell you that the state has to create and manage that money. If we do not do that, we'll have chaos on our hands. Bitcoin proves the opposite, that a money can emerge from within the market itself, based purely on voluntary behavior, and needs no privileged elites to manage it.

That is an essential postulate of the free society. When government gets hold of the money, freedom is in peril. When the market makes and manages money, freedom has a built-in reinforcement in half of every transaction. In short, just based on our experience with Bitcoin so far, we see the conventional wisdom of a century completely turned on its head. Fantastic!

Should more and more of the world's money supply be gradually converted to crypto-currency, we will see changes in the way people and businesses manage money. We could see our pattern of capital depletion reversed so that capital accumulation again becomes the norm. People have every reason to get out of debt and start saving again.

Even our teenagers will learn a thing or two about putting off current consumption and sacrificing now for greater gain in the long term. It's all so beautiful: the reassertion of the old verities within the most postmodern technology one can only imagine!

Most exciting of all, with money back in the hands of the market—made sound by the brilliance of well-written software—the prospects for freedom will become bright again.

26 Bitcoin's Moment

Bitcoin may reach one hundred dollars today. That brings the total value of the existing Bitcoin stock (10,960,500) to more than one billion dollars.

It was only a few weeks ago when a local Bitcoin trader in my town wanted a 40 percent premium for a local cash-to-BTC exchange at the rate of seventy dollars per coin. I balked on grounds that it was too high, since the prevailing market rate was forty-eight dollars. Today, that same trader is asking \$132. Seems like I passed up a good deal.

Many people fear that Bitcoin is overpriced right now. This view is held even by people in the Bitcoin community who worry that a move from fifteen dollars to ninety-three dollars in three months is not good for long-term viability. A crash could bring down the currency unit in devastating ways, leading to another round of debunking and clucking from the advocates of government money.

But here's the truth: No one knows for sure. Maybe the price will keep climbing. Next month at this time, people might be kicking themselves for not getting in right now. My instincts right now tend in this direction. I'm seeing BTC at \$250, then \$500, and then \$1,000 by year-end.

Why bullish? Government paper is failing at a faster pace than anyone imagined would have happened in the past year. The Cyprus disaster took nearly everyone by surprise. No close observer believes that the latest bandage amounts to anything permanent. Moreover, the Cyprus save sets in place an incredible precedent: Bank deposits will hereafter be treated as government property first and belong to the depositors only at the discretion of the masters of the money.

It's no wonder that Bitcoins are being brought from locales all over Europe, including Spain, Greece, Italy, and beyond. This also accounts for why mainstream news outlets are starting to write about Bitcoin as if it were the real thing, something serious, something that really matters on the world stage.

Meanwhile, Bitcoin applications are flourishing all over the Web. Among them:

- BitSpend.net, which allows you to use BTC on any website
- BitPay.com, which enables payments on any website
- Coinbase.com is a popular place to buy and sell BTC, plus it gives you a local wallet
- BitcoinStore.com is the emerging Amazon of BTC
- Blockchain.info is the application that many smartphone users choose

I can completely understand why this emerging currency causes alarm, not just for central bankers, but also for regular people. People have a hard time wrapping their brain around the whole idea of a digital currency. It seems too abstract, kind of sketchy; maybe it is a pyramid scheme of some sort.

Now, you might think that these same people would have just as much trouble figuring out how such a thing as a dollar or a euro exists. After all, this stuff is just cotton-fiber paper backed by nothing real at all, and its value has nothing whatever to do with its physical properties. That has been the case for fully forty years now, since Richard Nixon destroyed the last remnants of the gold standard.

So there is actually nothing entirely unusual about a money being an abstraction. What's ironic here is that Bitcoins are in fact more "real" than dollars or euros. They are built from ones and zeros arranged in a particular way to serve a particular monetary function.

Someone might say, "But that's not real. That's just code." Well, actually, code is real, as real as email, YouTube, Microsoft Office, the weather application on your smartphone, or any other piece of software on the planet.

When Bill Gates first started experimenting with the idea of making an economic good out of software and turning it into a commercial enterprise, he was practically alone. The whole idea of "commodifying" stuff made out of code struck many people as outlandish and probably impossible. We know what happened: Code has become the basis of practically every significant economic advance over the last thirty years.

Yet we still have doubts! I've thought about this a long time, investigated my own doubts, and here's what I find to be an additional major point of resistance.

In the world of software and digits, stuff is reproducible. You send an image to Mom and you still keep the image on your computer. When you download a song, you don't "take" it from anyone; it's still there for someone

else to download. When you invent software, you don't have to keep inventing it; instead, you sell the same thing thousands or millions of times.

In other words, copyability is the key advantage that the digital world offers over the physical world. The Internet is one big copy machine.

But copying money? That's not a feature; it's a bug. Any digital currency has to and must solve the problem of reproducibility. It must be strictly controlled, as with the gold standard. If you want more gold, you have to mine gold.

It turns out that this is exactly how Bitcoin works. The servers run by miners have to work very hard solving complex math problems that grow more difficult over time. You have to use real resources to make more Bitcoins.

But what about those that exist? How can property rights be enforced? This is the real brilliance of Bitcoin. The structure includes a ledger that keeps track of all existing coins and their owners (not by name, but by digits). There is absolutely no way for one coin to be possessed by two separate people. The ledger is open and changes second by second, depending on the trades.

This is why Bitcoin succeeds where every other attempt to make a digital currency (and there were plenty before) had previously failed. Bitcoin assigned property rights to each unit of exchange and made that ownership a major feature of the software itself. In other words, Bitcoin used computer code to reject what is seemingly the key advantage of computer code: its status as a nonscarce good. Instead, it built scarcity into the code.

Incredible, isn't it? What's more, the integrity of the system itself doesn't depend on a single institution like a central bank or one big corporation, but instead operates in a completely decentralized way, peer to peer. There are no money masters and no money slaves.

Dollars can be produced infinitely, and this power has been used too liberally since 2008. Bitcoins, in contrast, are mined about one every twenty seconds, and each new Bitcoin has a particular owner and cannot be spent simultaneously by two owners. In other words, it is sound, like the gold standard, and structured to be this way. This is why so many people are drawn to it.

There are other advantages that this currency unit has over even gold itself. Gold in large quantities usually has to be stored. Historically, this gave rise to deposit banks that tempt bankers to blur the lines of ownership. When accounts are overleveraged and banks find themselves unable to pay out, they traditionally turn to government for help. That's how we ended up with egregious institutions like central banks.

Bitcoins completely bypass this problem of storage, since they are literally weightless. They cannot be owned by more than one person at a time, so all loan markets will have to emerge within the strict confines of property rights. That means that emerging markets will exist on a sound basis, with no sneaky attempts to blur ownership titles.

Of course, the promise held out by an anonymous, market-created global unit of exchange with near-zero transaction costs can only be described as mind-blowing. Will it continue to advance? No one knows for sure, but my doubts are melting by the day, especially given the incredible failure of government money and the global clamor for a modern currency that serves human needs.

DEFENDING THE HOMELAND . . . AGAINST BITCOIN

A similar shot was fired across the Bitcoin bow just yesterday. The Department of Homeland Security sent a note to a dollar-payment service called Dwolla. This service allows spending and receiving money outside the usual channels, free of cumbersome banking regulations.

But a major reason why people were interested in this service is that the company had an agreement with Mt.Gox, the world's largest Bitcoin exchange. You could get an account with Dwolla and then go directly to Mt.Gox and acquire Bitcoins.

The DHS sent a warrant to Dwolla that demanded it stop all money flows to and from the US-based pass-through for Mt.Gox, its service company called Mutum Sigillum. The warrant further suggested that it would seize dollar funds from that account pending an investigation.

For Dwolla, this is a very bad deal. It just received \$16.5 million in venture-capital money to push out its operations further. How much does its business model depend on its use as a gateway to Bitcoin exchanges? That information is not public, but my own suspicion is that it must be an important part of its business.

Some American clients of Mt.Gox immediately (naïvely) started converting Bitcoins back to dollars, contributing to a temporary price dip. But if you think about it, this is an irrational reaction. Dollars can be seized. Bitcoin cannot because they exist on the blockchain itself and are held by their owners. The exchanges are there just to buy and sell.

More tech-savvy American clients of Bitcoin took an easier path and transferred their Bitcoin from Mt.Gox accounts to accounts in other exchanges and wallets, like CampBX and Coinbase. In other words, no harm done.

Not even the DHS can make this money go away, and it highlights one of the greatest features of Bitcoin and a reason for the global interest: it exists beyond government's reach.

Like the files for the 3-D handgun, Bitcoin itself is code. And there is nothing that regulators can do to make code go away. No matter how many take-down orders they issue, no matter how many press conferences they hold, no matter how many owners of institutions they harass and hector, the information itself lives—like a song that can be sung by anyone.

In many ways, this incident shores up the perceived invulnerability of Bitcoin, a fact that is reflected in the seeming firmness of its exchange rate. It started the day at \$118, dipped to \$103, but then recovered to trade at \$112. This is incredible resilience: surviving amidst the biggest attack yet on the emerging currency.

What does this mean for the future? My guess is that this will end up as a bad sign for Mt.Gox. Its two-thirds monopoly on exchange functions is going to slip further and further, and more people will turn to alternative services like Coinbase and CampBX. Even though many people in the Bitcoin community will celebrate this (Mt.Gox is rather unpopular because of its instability), it is never a good thing for an institution to be subject to regulatory harassment.

But this raises the question: is this just the beginning of a widespread attack or an isolated investigation that will subside in a matter of weeks? Opinion runs both directions. But one thing is curious here: Dwolla's relationship with CampBX has not been targeted. That survives intact, a fact that suggests that this intervention really is specific and targeted, not general.

Still, there is no reason to relax. Regulators are going to be causing problems for Bitcoin for years to come, creating what Robert Higgs calls "regime uncertainty." No one knows for sure what the government is going to do next—and this inhibits the progress of institutions and the development of its trading value.

Long term, a different picture emerges. This is a digital age, and the government cannot finally control it.

27 Gun Control: It Backfires

If I were an extremely cynical gun manufacturer, I would save some extra profits to give to Democratic candidates for president. Such presidents come to the White House under a cloud. No matter how many photo ops they hold with guns, many people suspect that they want to ban them.

It's not a crazy assumption, either. In government's ideal world, the politicians and their bureaucratic armies would have all the guns and the people would have none.

We know this from experience too. Look what happens in a natural disaster when FEMA takes over under martial law. They confiscate weapons. Heck, it's true when the United States invades a foreign country. The people are disarmed, all in the name of keeping order. They did this in Iraq and Afghanistan.

So it's not paranoia to suspect that government wants to disarm the population. That's as true at home as it is abroad. It is all a matter of whether powerful rulers can get away with it.

Fortunately, in the United States, it's not so easy to just take people's guns away. We have this thing called the Second Amendment. It turns out that sizeable parts of the population believe that it should be read and interpreted as if it were plain English. And for that reason, every president who wants to ban guns has to float the idea (a trial balloon) to push it through some kind of protolegislative process.

Even since Clinton's Federal Assault Weapons Ban of 1994, trial balloons have been a "buy" signal in the gun market. Really, the whole thing is hilarious. The president's threat to ban even small classes of weapons—inevitably—causes a massive, population-wide scramble to buy as many guns as possible. Talk about unintended consequences! These small-time gun skeptics end up being the direct cause of a whole population of people arming themselves to the teeth!

Anyone who reads my stuff knows that I'm not really into guns myself. But I directly benefit personally when other people arm themselves. I might be the only home on the block without a gun rack and a pistol in every room,

but would-be criminals don't know which is mine. In states where people can walk around packing heat, criminals can't know who is and who isn't. They have to be that much more careful.

So, of course, the same thing has happened with Obama. After the Sandy Hook massacre, left-liberal pundits went nuts, demanding new weapons laws. Then Obama himself passed some executive orders that didn't amount to much, but vaguely seemed to look down on private ownership of guns.

That was the trigger. Backfire! Lines formed outside every gun shop in the country. My local places started staying open twelve and eighteen hours. Ammunition flew off the shelves. Walmart started rationing bullets. Others just ran out. Secondary markets started showing up in sketchy areas of the Web.

The shortage caused police departments themselves to stock up. That alone furthered speculation that the police state was imminent, thereby fueling more fears of future shortages. The whole problem has been going on for weeks now, getting worse and worse for consumers and better and better for the industry itself.

It's been the same with gun ranges. You used to be able to walk in and get a spot to shoot. Now you need a reservation. And the more people shoot, the more they need to buy because, well, you use up bullets when you fire them.

In short, it is a bull market in weapons and ammunition. Ironically, the whole mania has been set off by the government's own antigun language. It's getting to the point that the best path to business success in America is for some powerful politician to suggest that your good or service might need to be banned.

What a symbol of the ineffectiveness of government in our time! The whole nation figures that government is up to no good (all polls show that government is more deeply unpopular than ever before), so whenever government says one thing, the people run out and do the other. It's a great turn of events in the history of public policy and, truly, one worth celebrating!

But you might be thinking: This can't be all good. After all, guns could actually be banned in time. They keep ramping up the restrictions year by year. More reporting. More background checks. More papers to sign. More disclosures. In time, it could really happen. They will grab them all. Then we'll be sunk.

Not so fast. The market's love of technology is coming to the rescue.

On the front lines is a group called Defense Distributed. Their idea is to develop and publish plans for guns that can be printed off 3-D printers. These contraptions are in the process of revolutionizing manufacturing. They

are already used industry wide (including even building large aircraft) and are coming online for home use. With a wiki-gun blueprint, anyone will be able to print a gun at home. And so much for all gun control.

This is edgy, but not illegal. It is not illegal to manufacture guns; the restrictions pertain only to selling and buying them. So what Defense Distributed is suggesting here falls within the law. Still, it's controversial. They first started raising money with Indiegogo, but the fundraising site caught wind of the project and pulled it. Fine. The group turned to raising money from its own website, encouraging Bitcoin donations. Problem solved.

But then another problem cropped up. They were leasing a big, expensive printer to do the testing from the company Stratasys. Stratasys too freaked out and demanded its printer back. Of course, any private company has the right to do this, but the hand of government—threatening everyone—is in the background here.

Such are the roadblocks to the future. But here's a principle to learn and count on: Regulators and bureaucrats can slow down the future, but they can't stop it. It is going to get here one way or another.

3-D printing promises to change the whole relationship between citizens and those who govern. Patents, regulations, product bans, prohibitions, taxes, and everything else collapse in the face of such things that smack of Star Trek replicators. When the whole world—even the physical world—is digitized, it is out of anyone's control.

With technology, freedom is our destiny. Those who rely on command and control will find themselves without anything to command or anyone to control. It's a beautiful thing.

If you are curious about Defense Distributed, take a few minutes and watch their video. This is serious. No one is going to stop it.

28 Be Your Own Manufacturer

I've noticed a trend with the writings of Chris Anderson, former editor of *Wired* magazine and the author of a new book on 3-D printing called *Makers: The New Industrial Revolution*.

It goes like this. He comes out with a book, and the highbrow experts say it's crazy, that this time he has gone too far. Two to three years later, the world has changed, and his predictions have come true. His critics don't admit it (have you noticed that few people ever admit errors?). By that time, he has a new book out, and the experts again say it's crazy. And so on it goes. He is always one step ahead, like a prophet, but without the honor he deserves.

In his first major book, *The Long Tail* (2006), he said the common culture of enterprise would die, and this is great. Instead, in the future, consumer culture will be driven by the desire to curate microcultures for ourselves. Technology has allowed markets to become super focused on a niche, rather than the broad swath of humanity. In fact, he said, there are more profits associated with niche-focused business than the hope of selling to every man or woman on the street.

At the time, this idea seemed crazy. The conventional wisdom of business has been that the bigger the market sector, the better. He was saying the opposite. Now we look around and see that nearly every market is a niche: No two consumers are alike. Not only that, but the biggest and best companies today (Google, Amazon, the app economy) specialize in fanatical service toward millions of tiny niches, in every way that can express itself.

Then he came out with his book *Free: How Today's Smartest Businesses Profit by Giving Something for Nothing* (2010). He said that the trend is taking all consumer products down to zero dollars for the basic service and making money on the add-ons. In fact, business in the future will be begging people to take stuff for free.

His critics went nuts and said, "Oh, this is crazy stuff. Can't happen." Today, if you want to denounce his thesis, you can do it in real-time

video through Google+ Hangouts, Facebook video chat, Skype, Twitter, or uncountable numbers of free services that uncountable numbers of businesses are begging you to try. Contrary to every prediction, even Facebook is making money by giving away its main product for free.

Again, I've not seen his critics eat humble pie.

The purpose of *Makers* is to explain how manufacturing is traveling on the same trajectory as communication, publishing, and media. It will devolve from big institutions to small institutions, and finally to individuals. The focus is, of course, 3-D printing. He forecasts a world without shipping, without controls, without the huge transaction costs of getting things. Instead, our shopping will consist of downloading models and printing what we need.

Crazy, right? Yes, just like his previous two books—which is to say, not crazy at all.

Why has he been so consistently correct in his outlook for the market's future? Because he is hooked into the community that is making it happen. From his position as editor of *Wired*, he was constantly in contact with the edgiest and most entrepreneurial companies in the world, the people who are forging a new tomorrow. He observes a pattern, explains, and sees clearly that it will win the day because it works.

By the time the rest of the world catches up to see the point, he has moved on.

Well, this month was the month that the rest of the world saw the point, and it made the headlines in a huge way. Law student Cody Wilson of Defense Distributed printed out a workable handgun called “The Liberator.”

But with every great advance in history, there are those who resist it. The government, in this case, is the chief resistance force. Anticipating this, Cody complied with every regulation, every code, and every mandate. It took nine months to stabilize and perfect the models, but he finally did it. He had a workable model for a gun that anyone on the planet could print out and use. He made one himself and released the files to the world without copyright.

The feds jumped into this scene with an order that made anyone with an ounce of technical sophistication laugh. They demanded that the files for the gun be taken down from his website. He complied.

But this accomplished nothing. Nothing on the Internet goes away, especially not if the files were released to the world. The files for “The Liberator” were quickly rehosted at storage website Mega and many other places. Once it became clear that the masters of the universe wanted

these files down, people all over the world got into the act and began spreading them everywhere, and the downloads soared into the hundreds of thousands.

In a matter of days, people were already working to remix the files and customize them for different purposes and approaches. How is this possible? These files are not physical goods. They consist of information, and information has three features that government hates: It is malleable, reproducible, and—thanks to the Internet—immortal.

In this way, as Anderson explains in his book, the world has changed dramatically in a digital age in which even physical goods take the form of information. And in the long run, there is nothing that those who purport to rule the world can do about it. They can silence one or two people, but that doesn't cause the things they don't like to go away.

This is also why it is pointless that DEFCAD.org's signup sheet was removed by its domain host, LaunchRock. A further example is the video that announced the creation of files that produced an operational 3-D handgun went viral after it was posted. It had tens of thousands of views, maybe many more. It was a video that ran only a few minutes. Now when you go to the video, a message appears that says it has been removed from YouTube.

Apparently, the video infringed on the copyright of Warner/Chappell. What's that? That's a music distributor. So the wrath supposedly had nothing to do with the gun or the subject. It was removed because the background music was alleged to be under copyright.

But wait just one moment. There are dozens of different YouTube videos that use that song. It's also used in the movie *Tree of Life*. If it's copyright protected, isn't it just a bit strange that Warner happened to pick Cody's video to order a takedown?

Cody, a law student, was scrupulous in complying with the law. But just as they got Al Capone on tax-evasion charges, not bootlegging, Cody Wilson's dramatic and historic video has been removed on copyright grounds! Never mind that most of his other videos could be removed on the same grounds, and so could perhaps a million other videos that use music from YouTube. This one video was singled out for a reason.

Meanwhile, of course, the video still survives in myriad forms. It's just the canonical version that has been taken down. This is a symbol of the new reality that government has not yet processed. The Internet is different from the physical world. It is not only bigger; it lasts forever, no matter what the regulators do. They can drive things underground, but cannot finally stop the progress.

There is a pattern here. The government hates progress. It prefers a world fixed and immobile, so it can regulate and tax it, bully enterprise, and deny consumers. But entrepreneurs don't like straitjackets. They keep coming up with new ideas and throwing them out there—at great personal risk to themselves.

Chris Anderson's world will come true. In time. Every intervention that tries to stop it is at best a vast waste.

29 Printed Protection and the Future of Defense

We crossed another milestone in industrial history last week. Over the weekend of May 4–5, 2013, the world’s first handgun was printed on a 3-D printer. It was fired and it worked. The implications are dazzling for people all over the world. The printers will become cheaper over time. The files for printing can be distributed all over the world through the Internet.

And no government in the world is in a position to stop it.

That’s not to say that governments won’t try. “It’s stomach-churning,” said New York senator Charles Schumer of this remarkable innovation. “We’re facing a situation where anyone—a felon, a terrorist—can open a gun factory in their garage, and the weapons they make will be undetectable.”

A big advocate of gun control, his real goal is not to make the world a more peaceful place. He simply wants government to have all the guns and doesn’t want to make it easier for you and me to get them. He wants to retain the present disparity of power between government and the people and senses that something is upsetting the balance.

Therefore, of course, he wants to amend the law to make printed guns impossible. If you haven’t noticed, this seems to be the main thing government does these days. It puts barriers in the way of progress and tries to stop technological advance.

Legislators just can’t reconcile themselves to the new reality that they have less and less power each day as the digital age progresses. It’s the force of innovators and consumers the world over—creating and exchanging to their mutual benefit—compared with the clunky and blunt instrument of the regulatory state.

The driving energy behind the printed gun is Cody Wilson, a twenty-five-year-old law student at the University of Texas at Austin. He is the visionary behind Defense Distributed, a website that releases the plans, provides updates, and accepts donations in Bitcoin. He calls his new weapon “the Liberator” after the inexpensive, single-shot gun manufactured by the US government during World War II. They were dropped all over Europe to scare and demoralize occupying armies.

Mr. Wilson thinks like the entrepreneurs of old. He had an idea and believed it was achievable. He saw every barrier not as something that would stop him, but as something to overcome. His crowdfunding project was removed by the website that first hosted it. His first rented printer was recalled by its owners. The regulatory barriers were huge, but he responded with over-compliance. And of course, the gun grabbers consider him to be Enemy No. 1.

I've been intrigued to watch his vision unfold over the last year. He clearly saw that the 3-D printing revolution has profound implications for the future. Among other things, it challenges the whole basis of government regulation of the economy, which is very much tied to controlling manufacturers and the buying-and-selling process itself.

With distributable and localized manufacturing, the core power of the regulatory state is faced with a fundamental challenge. Patents and other forms of "intellectual property" become irrelevant. If a design is constrained by regulatory controls, it is a simple matter of changing the design to produce an uncompromised product.

With or without printed guns, this new technology is going to lead to continuing upheaval in the years ahead. It is already deeply embedded in the manufacturing process. Boeing has installed some twenty thousand different printed parts. Pratt & Whitney, GE, and many other companies depend on it for profitability.

As the revolution advances, printing will gradually replace shipping. More people of the world will have access without transportation costs, making prosperity affordable in a way that was previously unimaginable. (For more on the origins and development of this industry, see the wonderful book *Makers* by Chris Anderson.)

A crucial element in this disruptive technology is the role of open-source sharing. This is a completely different approach from what prevailed from the Industrial Revolution until very recently. Usually, it was believed that a company's profitability was bound with its proprietary control and its trade secrets. But through open-source innovation, companies have discovered that they can extract better ideas by drawing on the energy and skills of people all over the world, resulting in a better product and a faster pace of development.

Defense Distributed uses the open-source model. It allows the company to get from here to there faster and to distribute its results universally. Open-source approaches also instill the manufacturing process with that crucial element of trust. Think of this as a globalized system of peer review in which nothing is hidden. It's sort of the opposite of how governments do things.

Think of how the pace of change is accelerating compared with the past. The Gilded Age saw astonishing changes: railroads crossed the country, internal combustion became common, homes were lit with electricity, and steel replaced iron as the building metal of choice. But all of this took twenty-five years to come about. We are now seeing innovations proceed at a pace that makes the Gilded Age look like slow motion. It is affecting every sector of life—now even gun manufacturing and money and banking.

None of this would be possible without two critical institutions: the Internet and entrepreneurial dreams. Put the two together and you have miracles in the making.

How will Mr. Wilson's gun change the world? Over time, it could fundamentally upset the balance of the relationship between citizens and their governments, not just here, but around the world. It makes twentieth-century-style tyranny less likely, or at least gives the people a fighting chance to hold onto their rights and liberties. Public and private predators can be checked.

Freedom is the victor here, and one would suppose that this would be something to celebrate.

Instead, we get carping politicians, annoyed regulators, and legions of peanut-gallery critics who make fun of the gun's design and functionality. This misses the bigger picture. We are living in the dawn of a new age, and the future is going to be much different from the immediate past. People like Cody Wilson are society's benefactors.

III

THE STAGNATING STATE

30 Quick, Drive More and Crank up the AC

Government went on a holy war against all kinds of refrigerants about twenty years ago.

This is the reason why every American fears a breakdown of the air conditioning unit. Fixing it or replacing it costs as much as a used car. It's also why asthma sufferers are currently panicked about an impending ban on inhalers they depend on for their health and well being.

And truly, all kinds of CFCs are contraband nowadays. You can tell because of the spam you get in your inbox.

Here's one that just arrived this morning.

Dear Director

It's my great honor to write to you, and hope to build business relationship with you in refrigerant gas business. Our company ***** MANUFACTURING CO., LIMITED is specified in Refrigerant gas business. Refrigerant gas including R22, R290, R32, R134, R407, R404, R600a, R141B and so on, and can be packed in steel cylinder, ton cylinder and ISO tank. If you have any need, I will offer warm-hearted service to you, you can also help me contact with your purchasing manager, thanks a lot.

our mission, your reward

Hmm, this is dangerous stuff. There have been arrests made in the past for chlorofluorocarbon smuggling. After all, anyone who can save consumers thousands of dollars at low risk has got a business going. Smuggling banned things is pretty good business if you don't get caught.

But get this. The war on CFCs is likely to get worse thanks to a new study from the University of Waterloo. Qing-Bin Lu, a professor of physics and astronomy, has blamed CFCs and not carbon dioxide for global warming since the 1970s. He published his results in the *International Journal of Modern Physics*.

"Conventional thinking says that the emission of human-made non-CFC gases such as carbon dioxide has mainly contributed to global warming,"

he says. "But we have observed data going back to the Industrial Revolution that convincingly shows that conventional understanding is wrong."

Government has been wrong? Wait just a minute. I've recently been car shopping and I'm astonished at how the regulatory demand that cars use less gas—all in the name of stopping global warming—has fundamentally changed their shape and functionality. They are super light, have bulbous shapes, high beltlines, and strange features like a button that downshifts from four cylinders to three, all in the name of saving the planet.

And now a new and reputable study says that, whoops, actually carbon dioxide and therefore fossil fuels have nothing to do with global warming. It was all due to deodorant spray from the 1970s and air conditioning from the 1980s and '90s. And that's been largely fixed. So we wrecked the car for nothing?

It gets even stranger. According to the researcher, part of his proof is in the temperature trends.

"What's striking is that since 2002, global temperatures have actually declined—matching a decline in CFCs in the atmosphere," the professor said.

Hold on there again. You mean for the last eleven years, the globe has actually been getting colder, not hotter? Maybe that's what accounts for why the political rhetoric has changed from dire warnings of "global warming" to warnings about "climate change" in general—as if the goal of all humanity has been to freeze the temperature at some ideal level. Talk about policy arrogance!

He continues: "The cooling trend is set to continue for the next 50–70 years as the amount of CFCs in the atmosphere continues to decline."

Hold on yet again. If the world is cooling, why isn't that a dangerous "climate change" trend that needs to be reversed through an increase in the use of CFCs? All those products that you can only buy from far-flung parts of the world, and have smuggled in batter buckets, all need to be legalized to avoid the terrible fate of global cooling!

Then again, there's the issue of the ozone hole. Don't want to risk opening that up again, right? Of course that presumes that scientists are able to establish a definitive cause-and-effect relationship between CFCs and the hole itself, which, given the track record of shifting studies and policies, is by no means a sure thing.

Meanwhile, because it turns out that cars have nothing to do with causing the apparently short-lived problem of global warming, we can all go back to making cooler-looking models that burn up the fuel. It seems like the global boom in oil production—stretching from Iraq to West Texas—can't have come at a better time.

To be perfectly frank, I've doubted all this climate-change hysteria from the very beginning. There are just too many interest groups involved that are desperately looking for some excuse for government to intervene in economic life. The only rationales are wearing thin and the public is sick of the whole taxing/regulating rituals that badger us relentlessly.

So if these groups could come up with a dire scenario that (a) blames private industry, (b) creates a reason for draconian interventions, (c) funnels money to the right people, (d) makes the rest of us miserable and penitential for how we have treated Mother Earth, and (e) otherwise can't fix ourselves, they've got a good program for political control. The incentives to fake the science and invent phony cause-and-effect relationships are just too strong.

I've further doubted that any of these government measures would ever amount to anything. There's a strong reason not to pursue any of them simply because there is no way to test whether they work and no mechanism within government to reverse course even if there were some way to have proven that the fix failed.

Government never gives up control once it has it. And that's a good reason to never give it control over anything. Government is not really based on science. It is just wrangling interest groups who will say and do anything to get the bureaucracy to bludgeon people into not doing what people would otherwise do if they were free. That's the sum total of government.

It's for this reason that this new study will not be used to give up control over fossil fuels but rather increase control over our air conditioners and allergy-relief medicines. Government never admits errors; it only makes more of them. Prepare for more CFC spam, and a ramping up of the war against air conditioning.

If you are made more miserable as a result, the policymakers will have achieved their dream.

31 The Triumph of Scrooge McDuck

Government can control many things, but it can't control our minds and, therefore, our economic decisions. This has been a major source of frustration for the last two presidents.

In 2001, President Bush demanded that Americans immediately go out and spend, racking up more debt in the hopes of inspiring economic recovery. President Obama has done this too, and his central banking henchmen have rigged the monetary system to punish anyone who saves.

You might think it would work, and it has, among some classes. But the wealthy are different. New surveys from people who make more than \$750,000 per year show a new record level of savings among them.

CNBC says, "According to research from American Express Publishing and Harrison Group, the savings rate of the wealthiest 1% in the second quarter rose to 37%. That's up from 34% in the second quarter of 2012—and more than three times their savings rate in 2007."

In other words, their saving is actually increasing, even given the evidence that the everlasting recession has abated in some ways. The rich continue to act as if it is 2009—which suggests that this class has little confidence that the high stock market and seemingly good news that trickles out are really sustainable. They are preparing for the next crisis in ways they wish they had prepared for the last one.

It's fascinating too to consider their investing and spending habits. CNBC further notes that only 40 percent are looking to invest anything in new companies over the next two years, and only 16 percent are considering doing that over the coming months.

This is a deep psychology of risk aversion. The Fed has driven interest rates to zero and attempted to put the screws to anyone who undertakes this Scrooge McDuck strategy of financial preservation. But it still doesn't work. The rich won't let go. They will not be fooled again.

Economists tend to forget the impact of past events on people's current behavior. My mind often drifts back to the lady who lived in the house behind mine for years. She grew up in the worst of the Great Depression and

recalled just how hard it was to get pans for the kitchen or basic materials for making dresses. Everything was precious. Nothing could be taken for granted. Therefore, she threw nothing away, no matter what. This habit persisted to the end.

After she died, her children went through the house and found hundreds and hundreds of foil pie pans, stacked higher and higher. There was a room with pillars of them. She loved pies and bought many at the store. But she could never bring herself to throw away the foil pans. To her, this was an item of high value. She couldn't shake the feeling that it would be gravely irresponsible to toss away something that might have cost a week's wages in 1937.

It's common to dismiss this sort of attitude as evidence of senility. Surely, it is irrational! Her kids, of course, just rolled their eyes and tossed it off as sheer nuttiness.

I wouldn't say so. If you live through times of grave privation, you never quite get over it. You come to understand a great truth that people who grew up amid plenty do not understand. You see the physical prosperity around you as a contingent condition that can be wiped out under the right circumstances. You no longer trust those in authority to bail you out. You come to understand the obligation to provide for yourself no matter what.

In short, you come to realize that no economic value is permanent and all is subject to change.

The savings behavior of the rich today is evidence that they are much like the old widow and her pie pans. They were burned very badly in the great collapse of 2008. It affected mainly real estate, a sector every respectable voice said would never fall. This was a safe haven, a permanent asset, and the best investment you could ever make. In a few short months (and in some cases even weeks), all those assumptions were blown away. Then the contagion started: the banks, the stock market, commercial real estate, old-line investment firms—everyone suffered.

That lesson tends to last, and it accounts for why it is so difficult for the federal government to stop this tendency to hoard cash and prepare for another rainy day.

What's more, this approach is actually socially beneficial. You have to ask the question: Where does investment come from? Of course, people like Obama never ask this question. To him, the answer is obvious: The Fed can just print money and people will invest it. Or the federal government can just tax people and use the money to "invest" in his favorite sectors, like electric cars and electricity-generating windmills.

This is sheer fantasy. There is only one source of genuine investment. That is savings. Savings comes about from forestalling consumption. You have to give up things today so that you can have more tomorrow. There is no other path. The attempt to skirt that savings obligation and replace it with fiddling by the central bank and the government is pure folly. At best, it creates another round of false booms that end in busts. At worst, it destroys wealth and creates nothing at all.

What's interesting is how individuals and institutions seem to understand something here that government and its economists do not. Despite every attempt to stop savings altogether—under the misbegotten theory that consumption causes growth—savings in general actually soared after 2008. Only recently has the rate dipped among most of the populace, even as it has continued to increase among the smart set.

You will note that the same thing happened after the attacks of September 11, 2001. The president went on television to demand that everyone immediately go out and buy something. But Americans were at the point of assuming that whatever the president wants is probably not what is best for them and their families. Savings went up. But this was nothing compared with what happened after 2008. This was when people really started stuffing their mattresses.

The beautiful thing about this example is that it shows that government can't always get what it wants. In fact, it rarely gets what it wants. The whole of its economic-policy models are predicated on the idea that people respond to economic signals like machines. Change the signal and people fall in line. But that's not how it works in the real world. People have brains and they have memories. The memory of 2008 is still with us, and it's a good thing, too, for the prosperity of the future can come only from the savings of the past.

Let's hear it for the Scrooge McDucks of the world. They dare to disobey, and, in so doing, they are building for the future, from which we will all benefit. We might all consider emulating them. Saving money is the ultimate revenge.

32 Government Creates a New Criminal Class

Woo-hoo! It is a wonderful thing when the good guys win one for a change. Well, it wasn't a total win, but it gives hope.

In a case brought by the Wisconsin state government—with full cooperation from the federal government—a jury refused to convict Amish farmer Vernon Hershberger on all counts for distributing milk, cheese, and meat without a license. He did end up with one conviction, for which he faces a year in jail, but that's nothing compared with what might have happened.

Now, there are still many people who would read the above and say: Wait just a minute here. You mean to tell me that a farmer was hounded by bureaucrats for selling his own food to others who wanted to buy it?

Indeed. His farm was raided in 2010, and much of his milk and cheese was destroyed by the police. The conviction was based on Vernon's desire to fulfill his commitments and distribute what remained.

The case is strange because everyone knows that the raid, the trial, and everything surrounding this case is related to raw milk and cheese. It has huge fans all over the country, people who claim that it is healthier than pasteurized milk and cheese. It is legal in thirty states to produce, buy, and sell. In Europe, no one thinks anything about it.

These raw products have fans all over the country. Even in my own community, there are devotees who swear by it and have to engage in all sorts of absurd twists and turns just to get it, and then pass it around like contraband.

Why is this? The United States has this extremely powerful dairy lobby. They use government regulations to maintain their monopoly control over production and distribution. That means excluding small startups like family farms, especially those that can cater to niche interests. The milk lobby will have none of it and cracks down wherever possible.

There's nothing wrong with big business and nothing criminal about pasteurization itself. To each his own and all that. For my own part, I'm happy to buy my milk at the regular store. The problem comes when government is there to be used by industry as a cartelization device to boost and sustain

market standing. The industry can go on all day about the health fears of raw products, but the real motivation is rather obvious.

What Hershberger was technically charged with was operating without all the proper licenses. The judge actually banned any discussion of the merits or nonmerits of his products. The jurors were told that their only job was to decide if this one farmer filled out all the right paperwork and paid all the correct fees you have to pay to sell stuff.

But wait a minute. Could he receive those licenses? Of course not, because he was not willing to comply with the regulations. In fact, had he complied, he would have lost all of his customers, who themselves were not just regular customers. They were part owners of the farm itself—a strategy that many small farmers use to get around these crazy restrictions.

The jurors were actually behaving quite courageously in thinking for themselves. They must have looked at this good farmer in Wisconsin and wondered why he was even on trial at all. He was only doing what farmers have done since ancient times: producing food for people to eat. His client base was ridiculously small. We are talking about a few dozen people here, and a net income for Vernon that in 2010 was only forty-five thousand dollars.

Why was the government wasting its time on such nonsense as prosecuting small farmers for selling stuff? That's a really good question. The answer is that this is what government does these days. Its main agenda is to stop people from getting together and exchanging things to their mutual benefit.

When you look at the problem this way, you can see that this is not a Left-versus-Right issue. It affects absolutely everyone, whether we are talking about raw milk or marijuana or medications or home appliances. The government's got its hand in everything.

The main result of such an impulse is not to improve the world we live in. It is to prevent people from doing things that they believe amount to improvements of their own lives.

There is a special disgrace that comes with putting a milk and cheese farmer on trial in Wisconsin, of all places. This is the land that was built by exactly the sort of thing that Vernon was doing. That such activities are illegal and the people doing them are harassed for years and then put on trial is a stunning affront to freedom itself.

To regulate and ban anything ends up relegating perfectly legitimate activities to the sector of the criminal underground, a sector growing ever larger by the day. It operates like a parallel system to the legal one.

In the criminal underground, there exists the “darknet.” This free visible dark side of the Internet is easily browsable from your home computer provided you use the right tools. If you do happen to find yourself there, you’ll find the full range of human activity, from the upright and virtuous (making cheese and selling it) to the despicable and disgusting (assassination services) and everything in between.

The more laws we have, the more people are thrown into this sector, and all are clumped into this one category called criminal. This tendency really does begin to blur what is and isn’t wrong—as if morality has nothing to do with it and the only issue is what’s legal or illegal.

This thought occurred to me when on the same day that this farmer was acquitted, the US government announced the shutting down of a money service in Latin America that prosecutors said had laundered some six billion dollars in criminal money. But in all the news stories, there isn’t a word about prosecutions of actual criminals for whom the money was being laundered. It’s like they didn’t matter. Only the guys with the spreadsheets and websites got hit, even though they were only providing peaceful financial services.

Government can make all the criminals it wants. It can manufacture them the way McDonald’s makes hamburgers. All that needs to happen is to pass more laws and enforce them. Higher taxes, regulations, immigration controls, exchange controls, price controls—these end only in bolstering the sector that chooses to operate outside the law. The breaking-bad segment, as they say in today’s parlance.

This will be one result of Obamacare, for example. It will fuel the expansion and sophistication of the informal sector of service and goods delivery within the healthcare sector. You think you don’t need it and won’t use it, but the time will come when it becomes a matter of life and death.

Already, some physicians are bailing out of the entire system—operating solely on fee for service and not accepting any insurance or government assistance at all. This probably cuts in on the bottom line, but it allows them to avoid all the red tape, legal liability, and uncertainty of dealing with the coming regulatory onslaught.

I’m glad to see this, because there will come a time when we might end up depending on this new sector. In fact, every country with socialized medicine has these purely private solutions, mostly available only to the elite and those in the know.

It didn’t have to be this way, but this is the way things are going. And the reason is this: Government regulations and prohibitions never, ever work to achieve their stated ends. They only raise the costs of doing business.

Some companies and individuals comply, and some do not, but the overall situation never improves because of the regulations themselves. Instead, the commercial sector just becomes stratified, and so does the society it serves.

Who is to blame for this sad situation? The government that creates it or the businesspeople who find ingenious ways around the regime?

At least one jury in Wisconsin seems to have understood.

33 IRS on the Hot Seat

“I have not done anything wrong,” Lois Lerner, head of the IRS’s nonprofit division, told a congressional hearing. “I have not broken any laws.” Then she invoked her Fifth Amendment right not to be second-guessed by the Congress that is supposed to be watching over all agencies of government.

Seeing the IRS grilled like this is something many people have waited for their entire lives. It’s lovely and a sign of the times (government has never been this unpopular). But contrary to Ms. Lerner, it is possible to not break laws but still do wrong things.

The truth is that there is nothing right about an agency that routinely and legally loots the public of a third of private income and presumes the right to take what is left if we, as citizens, fail to comply with every jot and tittle of the regulations.

Sadly, that is not the scandal Congress is interested in. The scandal is that the IRS seems to be discriminating against groups based on their political outlook. And truly, it is alarming to see it all so clearly and to know that the practice was so widespread. Let’s hope these hearings on Capitol Hill are part of a larger project in which Congress takes on the role of actually looking into what the government is doing to the people.

Let’s consider the larger context. In almost any authoritarian regime in history, most people felt free, and they enjoyed that freedom as long as they never crossed a (sometimes invisible) line.

Talk to anyone, for example, who lived in Iraq under Saddam Hussein. Everyone knew the rules. For the most part, the regime would leave you alone. You could go about your life raising a family, working and enjoying various luxuries. If you minded your own business, it didn’t feel anything like tyranny.

But if you became interested in politics and actually sought some kind of change in society, matters would be very different. At that point, you became a threat. You could be woken any night by a knock on the door and dragged off, never to be heard from again.

In other words, in any authoritarian regime, the main goal of the government is to protect itself from outside threats and maintain its monopoly on power. So long as you didn't disturb that monopoly, all was well.

The idea of America is that we don't have such issues here. Think back to Norman Rockwell's democratic iconography. The farmer stands up in the town hall meeting to voice his opinion. He is unafraid. Everyone listens. We all have a voice.

The idea of democracy is that there is no such thing as a regime, as traditionally understood. Instead, we govern ourselves. We do not fear mixing in politics. There is no one to come get us if we hold to one perspective over another. There is no such thing as getting on the wrong side of the governing elite, because everyone is a member of the governing elite.

That's the legend, in any case. It has nothing to do with reality. Starting a little more than a hundred years ago, a permanent class of rulers came into being. They are not voted out or voted in. They answer to no one. The laws they enforce can be new or old. You can't dislodge these people. Their tenure extends beyond any administration.

This is the real structure of government in this country, all Norman Rockwell paintings aside. They have a class interest in protecting themselves against reform, to say nothing of the wrath of the people. This necessarily means that they have an enemies list. If you are collecting taxes, groups that file for approval calling themselves "Citizens Against Taxes" are certainly on the list.

What this incident shows is that there really is such a thing as a ruling class, and that there are people who are regarded as enemies of the state. We aren't quite to the point at which your political opinions can elicit a knock on the door at night, followed by a sudden disappearance. No, the discrimination is usually, but not always, more subtle than that. In the "free" USA, it might only mean delays and audits.

Still, it offends our sense of justice.

Just as these hearings are taking place, I've found myself deeply troubled by the arrest of libertarian activist Adam Kokesh. Last weekend, he was speaking at a pot-legalization rally. The police gathered around him. Then, out of nowhere, they arrested him and took him away. They turned him over to the feds, who shut him in a cell without bail.

Judging from the videos posted online, he hadn't done anything wrong. He was only speaking. He wasn't even smoking pot. When the charges came down, he was accused of resisting arrest, though no resistance is evident in the videos. And so there he sits.

Many people are more than slightly suspicious that his arrest had nothing to do with the pot rally. He was actually targeted for planning an edgy little gathering on July 4 in Washington, DC. He had urged people to join him in exercising their Second Amendment rights with an armed march on Washington. Imprudent? Probably. Illegal? Probably. But the point is that this might have led to a certain alarm and targeting, in the same way that the groups applying for nonprofit status were targeted.

But there are no congressional hearings over this. In fact, there isn't much sympathy, either. The conservative forums I've seen have cheered on the police. A white-nationalist website even went further to say that his arrest is a good thing because Adam (an Iraq war veteran) is Jewish.

Thus, we can see how the Bill of Rights is so selectively enforced and applied. Adam has no First Amendment rights. And his Second Amendment rights don't exist in DC, even if they do exist in a neighboring state. But the IRS official can invoke her Fifth Amendment rights and not even be compelled to answer questions put to her by Congress.

Authoritarian? It's looking more that way every day.

34 If It Moves, Tax It

A contributing factor in the rise of Internet commerce, a feature that gave it a kick-start, was that you didn't have to pay sales tax on what you purchased out of state. Ah, the glory days of the 2000s, when you could order anything and, for once in your life, not get hammered by the government. It was not a free market, but freer than almost anything else you could find.

This is a major factor in why, despite every prediction that it could never work, Internet commerce rose from the ashes of the dot-com crash to become a huge and growing profit center today.

Alas, those days seem to be coming to an end. And why? Because the US Congress is highly sympathetic to the plight of its state-based cousins, who are starved for money. As a proposed fix, Congress is suggesting a new innovation. Congress wants to give the OK to states that want to take your money.

Here is one argument you will not hear in the debate over taxing Internet sales: This will be good for the business climate. Instead, the debating points concern how much revenue it will raise for states, how onerous the burden will be for small business, whether it is "fair" to brick-and-mortar shops to pay and for online sellers not to pay, and so on.

The real issue—whether this is good for business and prosperity—is not even on the table.

Will taxing all Internet purchases harm business, harm job creation, harm the profitability of those who have seized on digital venues as a viable commercial space? Of course it will. There can be no doubt. The question then becomes: why is the political class interested in unleashing state legislatures to collect sales tax when it is so obviously harmful to prosperity?

Maybe the answer is obvious, but it still needs to be said. Despite the stump rhetoric, the political class is not interested in fostering a vibrant commercial life to help you and me get by in this world. Instead, it is interested in extracting as much revenue as possible from the existing commercial environment. The government elites want their cut, regardless of the consequences.

You can learn something about the way the world works just by watching the way this legislation is coming down the pike. Here we are, still in a deeply struggling economic environment. Young people have a hard time getting jobs. Growth rates are anemic. Families are still smarting from the surprise payroll-tax increase earlier this year.

Online commerce—with low startup costs and a potentially unlimited market—actually represents a ray of hope. This is especially true for young and tech-savvy people.

So what do the politicians do? They plot another hammer blow. Even by old-fashioned Keynesian standards, this is the worst possible time to enable vast tax increases across all states that hit millions of people. But economic rationality is not high on the list of values held by Capitol Hill.

What does this say about whole libraries full of books that instruct the political class on how to foster the well being of society? What does this say about the hundreds of well-worked-out theories of how the government can manage the economy in the best possible way? What does this say about the oceans of policy reports that presume that the political class has the best interests of the public in mind?

If it is true that political actors only want to get the government's beak wet and otherwise don't care a flying fig about the consequences for you and me, many theorists are going to have to go back to the drawing board. The bulk of writing on political economy over the last hundred years might as well be pulped.

There is also an interesting dynamic taking place in terms of those pushing for the change to allow states in which there is no physical presence of the relevant Internet retailer to tax purchases. The world's largest and most successful Internet retailer, Amazon.com, is backing the change, and paying politicians Left and Right to go along.

Why? Here, we need to understand something about the way regulations are used as a competitive tool in the world of enterprise. The larger the business, the more it is in a position to absorb new regulatory costs. The regulations will invariably hurt the little guy more than the big guy. Therefore, even though the big guy is paying more, the regulations end up working as a kind of subsidy to keep competition at bay.

Not to put too fine a point on it, but Big Business and Big Government work together. Does that sound like a wacky conspiracy theory? It shouldn't. The reality goes back at least a hundred years. Big Business was a huge supporter of the Progressive Era regulations of food and safety, the New Deal's interventions on prices and labor, the Great Society medical expansions,

protectionism during the 1980s, and almost every other major intervention in free enterprise in the annals of history.

Sometimes the biggest enemies of capitalism are not socialists, but the capitalists themselves. They don't like capitalism because they don't like competition, because it threatens their business and their profits. A real free market has winners coming and going. But a heavily regulated market entrenches elites who are working with the political establishment.

You might think that this would cause left liberals pause, but apparently not.

Here is what the blog at National Public Radio said about an Internet sales tax:

Collecting state and local sales tax all around the country would require a fair bit of effort on the part of online retailers, because sales tax rules vary from state to state. That's not a huge deal for a giant company like Amazon, but it would be more of a burden for smaller online retailers. From Amazon's point of view, that's a good thing—it makes life harder for Amazon's smaller competitors.

That's why big businesses, despite what they may say, often like regulations. They make life harder for small, would-be competitors.

The Amazon sales-tax case is complicated by the fact that it is already mostly paying these taxes because many states started interpreting the law to mean that if there is a warehouse in the state, it is subject to tax. Amazon has warehouses all over the world so that it can offer same-day delivery. That allows it to go after physical stores with even greater intensity.

The average eBay mom and pop is not going to be in a position to file tax statements to every state where it shipped goods. Amazon will be there not only to comply but to have the competitive edge on everyone. The battle between Amazon and eBay has been so intense that the Internet Association has refused to take a position.

This is how business becomes cartelized. There is still competition, but it is not on a level playing field. You have to be heavily capitalized just to get your foot in the door. Then people look at the configuration of the remaining industries and scream, "Hey, business is too big and too powerful!" But they don't discover the reason. It is too far back in time. And the cause and effect is too opaque to the casual observer.

It's not hard to imagine the consequences. There will be fewer startups because the accounting costs of filing with states every month will be too daunting. Consumers will start looking at overseas merchants to buy their

goods—as they are already doing for cigarettes, prescription drugs, and electronics. Digital currencies will help facilitate this move.

Meanwhile, the domestic market using government currency will be dominated by just a few players.

Everyone these days is sitting around regretting the way the recession just goes on and on, seemingly without end. If you are looking for the answer, look to Capitol Hill. Every time free enterprise tries to come up for air, Congress and the regulators are there to put it underwater again.

35 The Company That Owns Your Genes

The Supreme Court—a politically appointed gang of black-robed lawyers—is soon going to decide on one of the most contentious issues in medical science: can human genes be patented, and to what technologies can those patents be extended to cover?

The particular issue concerns one company, Myriad Genetics, and its claim to own the source code of two genes called *BRCA1* and *BRCA2*, which, when mutated, are related to breast and ovarian cancer. If anyone else tries to test for this mutation, the company's lawyers swoop down and stop it. Their patent claim has netted the company a great deal of profit, and the CEO a huge salary (nearly six million dollars).

The Myriad patents have understandably annoyed many people who are interested in the spread of human knowledge about how to defeat this and many other horrible diseases. That's why the American Civil Liberties Union has sued. One lower court sided with liberty, and another court sided with the monopolist. Now the high court is called upon to settle the dispute.

In particular, the court will try to decide whether these two genes are more correctly thought of as part of nature, and therefore not subject to patent, or are different enough in isolation to constitute a real technological discovery. Obviously, the entire scientific community is rooting against this company. Researchers need up-to-date information.

It's one thing for a company to keep its stuff private. That's a normal business practice. Think of Google: its search algorithm is a closely held secret, but almost everything else it gives away. Every business would like to keep its secret sauce secret. But the nature of the commercial marketplace is always working in the other direction. Profits attract competitors, who try to outdo the innovator in service and price.

That's how free enterprise works. The patents take a secret to a different level. The technology behind the patent is public information—in fact, it has to be. What the patents do is actively prevent other companies who have reverse engineered the code from using their newly acquired information. In

other words, patents essentially violate other companies' rights to innovate. This is the bone of contention.

In other words, the patent holder is making a killing using a government grant of privilege over something that has been with us since the dawn of humankind. Meanwhile, anyone else who wants into this business suffers, as do the people seeking testing for cancer.

The opinion will be rather tricky to write. It will attempt to avoid the largest question that everyone is asking these days, which is whether any patents are economically and morally valid. Instead, it will try to narrow the ruling to cover only the point in dispute.

The larger issue is what can and cannot be patented with the government. It's a controversy that has been around as long as the patent power itself. During the Industrial Revolution, it was only the high-profile inventions that were subject to the patent. Think of the steamship or, much later, the telephone and the airplane. Now the limit of the patent is entirely up to the clerks at the Patent Office. They can issue one on anything, and are tested only later in court.

That's why for those who are convinced that patents in general are a gigantic error—a form of government grant of monopoly privilege—this decision will be disappointing either way. There are so many more patents that deserve a look closer, such as those on software, seeds, and industrial machinery. They all end up slowing development. They are dragging us down.

In a paper for the St. Louis Fed, Michele Boldrin and David Levine make the point as plainly as possible:

The case against patents can be summarized briefly: There is no empirical evidence that they serve to increase innovation and productivity, unless the latter is identified with the number of patents awarded—which, as evidence shows, has no correlation with measured productivity. This is at the root of the “patent puzzle”: In spite of the enormous increase in the number of patents and in the strength of their legal protection, we have neither seen a dramatic acceleration in the rate of technological progress nor a major increase in the levels of R&D expenditure—in addition to the discussion in this paper, see Lerner [2009] and literature therein.

This should not be a surprise at all. People say that patents incentivize innovation. That's just wrong. The prospect of *profits* incentivizes innovation. The patent only extends the period of profitability—if it comes about—beyond where the market would otherwise allow it. The patent does this by

using legal restrictions to prevent anyone else from emulating the invention or improving on it.

The case of the human genome is a great case in point. Research is proceeding at a breakneck pace in every area. Most of the code is not subject to patents. Some of the old patents have run out and become irrelevant. It is only in this area of genes “owned” by one company that we have a bottleneck.

Back in 1851, the *Economist* magazine had it exactly right. The patent “inflames cupidity, excites fraud, stimulates men to run after schemes that may enable them to levy a tax on the public, begets disputes and quarrels betwixt inventors, provokes endless lawsuits. . . . The principle of the law from which such consequences flow cannot be just.”

There are many absurd aspects to the current patent case in the hands of the Supreme Court. First, the idea that these lawyers should be arguing a case involving difficult details of scientific discovery is preposterous. Second, the notion that the DNA sequence itself should be subject to patent offends the whole idea of self-ownership. Third, the reality that there is no effective limit on what innovations can or cannot be patented is deeply dangerous to the free commercial marketplace.

The whole debate gets to the core of the whole problem of intellectual property itself. Do we only own the stuff we own or do we own the ideas that go into shaping the stuff we own into other things? Example: if you use ingredients to make a cake, do you own the cake or do you own the way to make the cake—and, therefore, do you have the right to forcibly prevent anyone else from using your method?

The broadest sweep of human history is absolutely clear: We own what we own and nothing more. We can do what we want with our stuff, but we can't prevent others from doing what they want with their stuff. Not to put too fine a point on it, but Myriad Genetics does not own me or you.

On the other hand, a century or more of decisions shows that the Supreme Court evidently thinks it owns you, me, and everyone. If the court decides against Myriad in this case, how to respond? Thank you, guys, for recognizing the existence of an essential postulate of freedom in this one case at least?

36 Taxed for Life

The least of the problems with the income tax is that it takes your money. The really big problem is that the income tax takes your life. It gives the government direct access to the things you own and sets up the political/bureaucratic sector to be the final arbiter of what you can and cannot consider to be yours.

Illustrating the point is the bitter news that the IRS has considered it completely legal to demand access to your email archive whenever it wants. This news came about because of a Freedom of Information Act request filed by the American Civil Liberties Union.

The filing unearthed a 2009 memo that stated outright: “The Fourth Amendment does not protect communications held in electronic storage, such as email messages stored on a server, because Internet users do not have a reasonable expectation of privacy in such communications.”

Forget search warrants and legal processes. In the interest of getting its share, the government can have it all on demand. This assertion was made again in 2010 by the IRS’s chief counsel: the “Fourth Amendment does not protect emails stored on server” and there is “no privacy expectation” on email.

This assertion openly contradicts a 2010 legal decision from the US Sixth Circuit Court of Appeals. *United States v. Warshak* said that the government must obtain a probable cause warrant before forcing people and providers to cough up email archives. Granted, even that’s not much protection. Government always has its “probable cause.”

Good for the ACLU for making an issue of this. In the coming months, there will continue to be legal wrangling over this issue, which is obviously important to absolutely everyone. But at some level, it’s all beside the point. The problem isn’t the legal process that allows the government to do what it wants; the problem is that government has a hook into personal income that allows powerful people to have their way with the whole of your life.

As we look back at the history, we can see that the income tax enabled a century of intrusions into our lives. It’s been a hundred years of a form of imposition that no American in most of the nineteenth century could have ever imagined or tolerated. The income tax is what enabled Prohibition,

for example. Without the ability to monitor and adjudicate how people made money, the power of enforcement would not have been there at all. Remember that Al Capone was not convicted for bootlegging, but for tax evasion.

It is what made possible the central planning of the New Deal. The government's presumption that it owns the first fruits of labor gave rise to wage controls and mandatory participation in the Social Security system. It allowed the central planners to push aside young workers and tell them that they aren't allowed to be part of the workforce. It allowed the introduction of the minimum wage that continues to shut out whole sectors of society.

And look what happened during World War II. The price controls on wages and salaries—made possible only because the income tax gave government a fiduciary interest—inspired companies to start offering healthcare benefits as part of the compensation package. That practice was intensified over the decades until it became mandatory. That practice is a major source of the healthcare problems we have today. So there we have it: there is a direct link from Obamacare today back to the income tax of a hundred years ago.

Just the other day, with the IRS still on the march, the elaborate lunches provided in highflying companies like Google entered onto the radar screen. Shouldn't these wonderful buffets be considered as compensation subject to tax? The decision is yet to be made, but there is just something unseemly about an agency that can't let people even enjoy a lunch without demanding a cut.

Frank Chodorov, author of the masterpiece *The Rise and Fall of Society*, was right to call the income tax the "root of all evil." We look back to history and are in awe that anyone ever had the full right to earn whatever money he or she wanted to and to never have to tell the government about it. But that was the way it was for the dominant part of American history. That's the system once called freedom.

It's striking when you realize just how completely unnecessary the income tax is for the funding of government. In 2013, the income tax will generate \$1.2 trillion in revenue for the government. What if we cut back government spending by exactly that amount so that we replace the income tax with absolutely nothing? That would take us back in time to 2004. As Ron Paul would ask, was the government really too small back then? Would society really collapse if we went back to a government we had just nine years ago?

So let's face it. Yes, the government likes our money and always wants more of it. But more crucially, the government uses the income tax as a primary means of controlling not just our money, but the whole of our lives.

That's the real purpose of the income tax and why the government will fight for its preservation to the end.

Right now, many Americans are sweating it out to get their taxes done in time for the filing deadline of April 15. It would be immeasurably hard without the brilliant companies that have put together software programs—updated constantly!—that make what would otherwise seem impossible rather easy. This is the type of thing that free enterprise and the private sector do. They help us to have better lives. But government? It just takes, snoops, and controls.

37 None Dare Call It Theft

The euro elites don't call it theft or robbery or even a tax, much less an outright default by the banks of Cyprus. They are calling it a "stability levy," a plan that could lead not to stability, but a domino-style collapse of the banking system in Europe.

True to the nature of government propaganda, the Cypriot head of state, Nicos Anastasiades, says this "stability levy" is necessary to forestall "a complete collapse of the banking sector." It's the same kind of language we heard in the fall of 2008—an intimidation tactic used to shove through TARP and unending bailouts.

More likely, the plan to tax all Cyprian bank deposits 6.75 percent to 10 percent will trigger one. Or maybe just the talk of it already has. We can't know for sure, because the government of Cyprus has declared a banking "holiday," a term that means that the robbers take a vacation from being held accountable for their actions.

What this plan signals is pretty clear: Your money is not in the bank. If you get there fast and withdraw what you can, you might survive. If you delay, all bets are off. That means an old-fashioned bank run—the ultimate check on the soundness of banking.

Another way to look at it: It's a game of musical chairs, and the music has stopped. The purpose of the "holiday" is to Tase people so they can't find their chairs.

The tax is part of a ten-billion-dollar bailout arranged by eurozone countries together with the IMF. So far during the long, slow, relentless meltdown of the world's banking systems over the last few decades, the idea of outright confiscation has been something that governments have generally tried to avoid.

It turns out that people don't like to be robbed. They normally like to think that the money they put in the bank is accessible to them. So when Anastasiades demanded this, he got massive pushback from legislators and depositors.

Meanwhile, people were scrambling to get money from ATMs and trying to wire money out to safer havens. That's when the rude surprise came: their accounts were locked and transfers have been stopped. ATMs are marked "out of order."

As I write, legislators have backed off the proposal to loot absolutely everyone equally, but instead will focus the most intense effects of the heist on only the very rich. This might make it more palatable for lawmakers, but no more so for the population at large. Politicians can promise that this is a "one-off levy" all they want, but anyone who believes that is an utter fool. Citizens can be pretty dopey in believing political promises in general, but when it comes to their own money in their banks, their gullibility certainly has its limits.

Americans can be forgiven for having spent most of their weekend ignoring news out of Cyprus, a country they last heard about when studying ancient civilizations in high school. A friend of mine from Cyprus who lives in the United States gave up trying to explain where he is from long ago and is now satisfied to tell people he is from Greece.

Actually, Cyprus is one of the world's most prosperous countries, owing mainly to its status as a world financial hub. As Doug French put it to me, "This is a bank with a country attached."

Its population is mostly tourists and fluctuates based on season. But its prosperity for the last twenty years is due mostly to the deposits it receives from all over the region, especially from Russia. This is why Vladimir Putin has become involved in the current controversy, denouncing it as unfair and unwise.

The trouble is that Cyprus has to raise the money. It has to come from somewhere. The core problem is that this proposal, especially the idea of taxing deposits that fall below the deposit insurance ceiling, undermines that elusive but absolutely essential thing called confidence.

If people no longer believe in the system and run on the banks, the whole thing can unravel very quickly. In most countries today, there is depository insurance that provides the illusion that people's deposits are safe. The remarkable thing about the "security levy" is that it amounts to an open announcement that there is no assurance that the money must come from somewhere, so they might as well get it from the most obvious place.

There was a time when banks operated like normal businesses, performing a service in exchange for payment, while clearly delineating what part of people's deposits were at risk (and, therefore, paid a premium) and what part

were security (and, therefore, a service to be paid for). But central banking and fiat paper money have confused the issue to the advantage of the financial system, but to the disadvantage of depositors, especially when faced with a crisis moment such as this.

Still, it is an unprecedented move, one that harkens back to the days of the early New Deal, when FDR closed the banks, suspended the gold standard, and outright changed the definition of the dollar in order to bail out the banking system. This kind of thing is not supposed to happen these days. The bankers are supposed to be wiser and more sophisticated, using fancy tools of monetary policy to continually shore up confidence in the system.

The suggestion that the banking system just outright steal people's money—even if it doesn't end up getting through the legislature—has dramatically changed the psychology of banking throughout the eurozone. Over the coming weeks, Spaniards, Italians, Russians, and many others throughout the region are going to be quietly (or maybe not-so-quietly) testing the same, pulling deposits and finding other ways to secure their funds.

The word central bankers everywhere dread: contagion. It means the spreading of truth and actions based on that truth. Might Cyprus be the new bubble that breaks the world? It's a good time to revisit our friend Gareth Garrett's 1932 classic that retains all of its explanatory power: *A Bubble That Broke the World*.

For banking regulators and politicians, this really amounts to an epic fail, even from their own point of view. They never want the veneer of stability and soundness stripped away. They want a population of depositors blissfully unaware of the vulnerability of the monetary and financial systems.

You might ask, "If you are so smart, what do you suggest?" That's easy: default and bankruptcy.

Contrary to the conventional wisdom, the Lehman Bros. case is not a model to avoid, but one to follow. Let the Cypriot banks that are under threat die a quick death, even if that means not paying those who believe they are owed. Under the conditions, there is accountability and there are permanent lessons learned.

This approach—yes, it is far-flung and stands zero chance of actually happening—might actually restore sound banking practices. Just imagine a world in which banks operate like honest, solvent, self-reliant businesses, not lying, not teetering on the brink, not depending on government and politicians and central authorities. Seems like a dream, but we can get there through a simple step: allow the failure to happen.

But might that approach trigger a Euro-wide meltdown? Maybe. That seems to be something that is going to happen with or without this “one-time stability levy.”

Meanwhile, the banks are closed. No one in the eurozone is sleeping well at night. And it’s going to be a wild week.

The Euro crisis alone might account for why Bitcoin has moved from fifteen dollars to forty-eight dollars in three months. Is it possible that Russia’s largest depositors saw this coming and have been slowly moving money out to the digital safe haven? We’ll never know, because the transactions are anonymous (thank goodness). But ask yourself this question: Where would you rather have your money? In Bitcoin or insured deposits in Cyprus?

38 The Sequestration Boondoggle

Illegal immigrants will flood in! You will be stuck in security lines for hours! Children will go hungry! Planes will fall from the sky!

No, this isn't a recap of the nightmare scenarios concocted by Y2K maniacs some thirteen years ago. Instead, this is what the White House itself has said about puny and largely mythical cuts that will occur with the deadly plague known as "sequestration."

It's nothing short of a "devastating list of horrors"—something even worse than being subjected to another forty thousand "Harlem Shake" videos going viral on YouTube.

What's funny (to me) is that most people could not care less. This is what the Associated Press reports, based on an analysis of Google search trends and polls: "You can only cry wolf so many times before people just stop paying attention."

The White House is determined to change that, using the automatic cuts to show us all how much we truly need the government to be as big as possible and how even the smallest cuts will wreak havoc on our lives.

Just how much of a myth is alive here? The Heritage Foundation sums it up. In the last ten years, federal spending has gone from \$2 trillion to \$3.5 trillion. In the next ten, the budget will grow to six trillion dollars. That's a devastating cut as far as DC is concerned.

When a private business needs to cut expenses, managers try to make sure that the customer feels it as little as possible. Government does the opposite. It uses the occasion to make you and me as miserable as possible.

Within the Beltway, this is known as the Washington Monument Ploy. It's the most popular attraction in the nation's capital. The White House loves to close it up at the smallest excuse, leaving people who have traveled for days stuck in long lines. The goal is to impart this lesson: Pay your taxes and shut up, else we will take from you lots of things you love.

The thing ought to be sold to a restaurant franchise or maybe Walgreens or CVS so that we could get 24/7 service, as we do in the private sector.

Instead, they will keep it as a way to continue the public blackmail of taxpayers. Everything government does is useful for that purpose.

To be fair, however, there's more than malice at work here. Government does have a serious problem in dealing with any cutbacks, something the private sector doesn't face. In a private business, you have metrics to know the most and least profitable lines of production. These data inform managers what is most important and what is least important. In this way, you can know how to cut in a manner that is least socially harmful.

This is the rational approach made possible by the balance sheet, the glorious invention of double-entry accounting, and the profit-and-loss system. These tools provide to business a kind of GPS for dealing with austerity. The people who pay are the managers, not the consumers.

For this reason, bankruptcies in the private sector can come as a surprise to people. One day you are happily shopping at Kmart, and the next day the thing is belly up, seemingly without warning. A closer look reveals years of austerity, but consumers didn't really feel it. That's the brilliance of the private sector at work. It makes the customer king as long as possible.

Government has a completely different approach. It's no one's fault. It's just built into the system. Government gets its money by taking it from you and me. Then it spends it on what it wants. Its accounting system merely tries to keep up with the comings and goings, with no relationship between the two. The "consumers" of government's goods and services are not really the payers of those goods and services. The payers may or may not get anything in return.

Why not just cut "waste and abuse"? Sounds reasonable. The trouble is that no one knows for sure what is waste from an economic point of view. As for abuse, that's the whole system.

In other words, the whole system is set up on an arbitrary method of accounting. It doesn't reveal what is socially desirable. It doesn't reveal what, if anything, is actually profitable. In this system, in fact, there is nothing we can call profit or loss. It is just a system of take and give, nothing more. What makes it even more egregious is that the people who are taken from have no choice in the matter, so government has absolutely no incentive to cut anything, ever.

The system of sequestration—blunt cuts to anything and everything—is the most horrible and economically irrational system, except for every other system. In government, there is no rational way to cut the budget in a manner that makes any economic sense. This is because no one really knows what is or isn't valuable. It is the complete opposite of the private sector in this respect.

Here's the secret to understanding this problem. You know how system-wide socialism is a total mess, doesn't work, creates economic chaos and poverty, disincentivizes production, and generally leads to massive stagnation, to heck with the population? Well, government bureaucracy is a smaller version of the same. And it fails for the same reason.

Mises, writing in his 1922 book *Socialism*, sums it up: "For all its officiousness, such a bureaucracy offers a classic example of human indolence. Nothing stirs when no external stimulus is present."

Whatever else is wrong with sequestration, at least it is some external stimulus, some outside influence on the hallowed walls of control and stagnation.

My prediction is that no one will notice these cuts for a while. But after a week or two, government is going to get annoyed that no one cares that it suffered a tiny wound. Then things are going to get rough. The passport offices will cut back their hours. The customs lines are going to get long. School districts will not be getting their checks. TSA lines are going to lengthen. Payment processing will slow to a crawl.

These functions are tiny compared with the overall budget. What's important is that they are things people rely on, and therefore, they will take the hit. It's intimidation with the attempt to manipulate public opinion. They have all the power and you have none. That's how they will get away with this.

Then the finger pointing will begin. And guess who will bear the brunt? It will be the Republicans, not the Democrats. It will be Congress, not the White House. Public opinion will shift and people will start screaming. The budget cutters will get scared. They will back down. Taxes could be raised yet again, another blow right in the middle of the great economic stagnation.

Look for it. I hope I'm wrong, of course. We shall see.

It all comes down to this: There is no economically rational way to cut the budget of a bureaucracy. Lacking that, government will do what it does best, which is to make you suffer as much as possible.

39 The Basement beneath the Wage Floor

There are certain sounds that tend to make people crazy. Think of nails on a chalkboard. An infant screaming nonstop on a long flight. A piercing whistle that won't go away.

Now we need to add another: a US president who thinks he can legislate high wages into law. For anyone who knows the basics of economics—not distorted by a bogus central-planning mentality—hearing this is like torture. It's painful. It makes you crazier and crazier until you finally want to yell, "Make it stop!"

This is how I felt when President Obama said the following:

"Let's declare that in the wealthiest nation on Earth, no one who works full time should have to live in poverty, and raise the federal minimum wage to nine dollars an hour. This single step would raise the incomes of millions of working families."

Why stop there? Let's also declare that everyone should make nine thousand dollars or nine million dollars per hour. If all that stands between us and total riches is the word of a president and an action by Congress, let's get on with it!

Does Obama really not get what's wrong with this approach? I've long disagreed with him, but I've never really thought he was ignorant. But even from the earliest interviews I've read, he does seem to have a tin ear on economic topics. He doesn't seem to get where wealth comes from. He doesn't seem to understand how prices work. And now we can be certain that if he understands how wages work, he isn't willing to let on.

Of course, he could also be lying. It wouldn't be the first time a politician did that.

Much of the current problem with youth unemployment is due to the high minimum-wage increases we've seen over the last five years. When the crisis hit in 2008, the minimum wage was \$5.85. Lots of jobs got shaken up. Low-wage workers hit the road. When things settled down again, they went knocking on doors. The next year, they found that it was illegal to accept a wage less than \$7.25. And we wonder why so many people are unemployed?

It's not a mystery. The huge increase in the wage floor is not the whole reason, but it is a contributing factor.

A wage floor of any sort traps people in the basement. The higher the floor, the larger the basement. Today, millions are rattling around down there, unable to find their way out. And now the US president, in the name of creating jobs, wants to make more of the unemployed more permanently unemployed.

I feel a particular frustration with this issue, and it's not because of the economics texts I've read alone.

My first real job was working maintenance at a department store. I was fifteen (yes, I lied about my age; you could do that back then). My job was to clean toilets, crush boxes, pick pins out of the dressing room closets, wax the floors in the china shop, vacuum the place, and shine the glass.

It was a great job. I mean, truly great. I loved it because it was a hugely important job. If I didn't clean the bathrooms well and replenish the toilet paper and towels, customers the next day might be grossed out and never come back. I played a big role in ensuring the profitability of this store.

I especially loved my coworker. His name was Tad. The department store would close, leaving just the two of us to have so much fun doing all this wonderful work. We would sing together, thrill to the danger of the wax machine, gross out at the mucky bathrooms, and just have that wonderful feeling that comes with having a real work partner.

You see, Tad was not a normal kid. He had some physical deformities. His face was oddly shaped and had what looked like a large stain on half of it. He couldn't move around that well, really. I had to help him and assign tasks carefully. He was also mentally retarded. He spoke in a muffled way, and you had to be very clear about instructions.

But I tell you what, when he was happy, it made me happy. To see that big smile come across his face when I would praise the way he shined up a counter just gave me a huge lift.

One day, a poster appeared in the workroom. It was from the Department of Labor. The minimum wage was going up by fifty cents. Tad pointed the sign out to me. He said, "Look, we are getting a raise!" I was a bit suspicious. I was pretty sure that the boss was the one who set the wage, not some weird distant government thing. I didn't quite believe it was true. Still, I was happy that he was happy.

The next day, I showed up at the usual time after school. I was getting the mop ready, running hot water in the pail and prepared to do the thing. Tad wasn't there. I asked the boss, "Where's Tad today?"

Well, he explained that he had hired Tad only because he was a boy he knew from church. He needed work. He knew that he would require a lot of help, which was one reason he was excited that I was able to work with him. In the end, he said, this was charity, because he knew that I could do the job by myself. It worked for us to be together so long as he could afford it, but this new minimum wage changed things. The store's profit margins were very thin, and he had to make a hard decision.

The long and short of it: Tad had to be let go.

I was devastated. I stared at the Department of Labor sign again. Cursed thing! That sign just ruined a kid's life. It stopped a great act of charity. And look what it did to me. I now had to work alone.

Management left, the lights dimmed, and I heard the familiar click of the doors leading to the outside. I would have to clean alone today. I did all the tasks I had to. But there was no more music, no more laughter, no more clowning around, and no more beautiful smiles. Tad was somewhere else, probably at home, confused and sad.

He died a few years later.

This is what the minimum wage means to me. So you can say that I have a vendetta. When the president announces that he is raising wages to make everyone better off, I can't help but think of the millions of Tads that will lose that opportunity to do wonderful things in this world and with their lives.

40 The Four Signs of a Collapsing State

“This used to be a hell of a good country, I can’t understand what’s gone wrong with it,” said George Hanson in the movie *Easy Rider*.

My old friend Joe Sobran (1946–2010) loved that line and quoted it often.

Sobran, who worked alongside William Buckley at *National Review* during its heyday, was one of the smartest people I’ve ever known. After a lifetime of thinking about politics, he eventually decided that there was only one way out of our troubles: the whole of the government has to go.

Sobran was ahead of his time. The latest polls show that nine in ten people distrust government to do the right thing. Forget partisanship at this point. The largest political grouping in this country is against government in general. Sure, people are glad to grab benefits as programs allow, believing that they might as well get something back for all the times they have been robbed.

Does public opinion matter? Absolutely. Government is in an inherently unstable situation because they are few and we are many. The real question is not why revolutions happen but why isn’t there a revolution every day? What is it that keeps these guys in power, aside from the threat of violence? There has to be more to it.

David Hume, in his *First Principles of Government*, argued that it is public opinion that keeps the racket going. That is a more important thing than violence or guns. It is what people believe about themselves and their government that is the key. Without it, government would collapse. And we see this in history. The precondition for every revolution is the lack of belief in the system that governs them.

The government has strong interest in shoring up public opinion.

According to Hans Hoppe, it does this through the control of four institutions:

- education
- communication
- money
- security

A government that fully monopolizes these four institutions and prevents any alternatives from forming is secure in its rule for decades if not centuries. But when they begin to fall, the rulers begin to lose their grip on power. For this reason, all governments have made the control of these institutions a priority.

Control of education allows the political class to inculcate a sense of civic obligation and duty, set the parameters of approved thought, and keep revolutionary ideas from entering into the culture. If you can get the kids at a young age and train them, all the better. This is why every state the world over has worked to secure its control over education. The goal is not to make everyone smart but rather to make everyone obedient.

Control of communication reinforces this tendency to properly filter the ideas that people hold. This is why censorship is one of the first and long-lasting functions of government. It is not to protect you and me against hearing or seeing things that would corrupt our hearts and souls. The idea is to maintain a firm grip over what people believe about the political system and to keep outlying ideas underground and at the margins of society.

Money comes next. Historically, this is one of the earliest institutions that the state seeks to monopolize. Only in the twentieth century has the excuse been to keep unemployment down or keep the banking and financial systems stable. The real reason is, as Hoppe explains, to provide a funding source for government that doesn't require taxation. Taxes make people mad. Devaluation and inflation fly under cover of night.

Finally, there is the need to monopolize the provision of security, which means controlling courts, police, and justice. The idea here is to be able to tell the population that the government is keeping everyone safe. If government is not there, terrible things will happen: monsters will take over.

Now, using this model, we are in a position to assess the stability of any regime. Looking back at the antisocialist revolutions of 1989 and 1990, we can see that all four conditions of control had collapsed, and so therefore the people no longer believed. We saw this too in the Arab spring. We can even look back at the American and French revolutions and see the same thing. In each case, the government systems of control fell and private alternatives took their place. The revolution happened.

How does this apply to us today in the United States?

Consider communication. Twenty years ago, that monopoly was intact. The government ruled the networks, controlled the press, owned the telephones, censored the radio, and there were few alternatives outside word of mouth and ham radio.

Today? Wow. The communication monopoly is completely smashed. The Internet, cellular networks, the explosion of media outlets, and the astonishing growth of all forms of human interaction on a global level mean that this side of state control has been obliterated.

The educational system is cracking in a huge way. We learn more from digital networks than from government-owned classrooms. The kids still show up but do they believe? Not really. The dream of inculcating generations in dedicated belief in the civic system is just gone.

Homeschooling continues on the march, and the products of this system are occupying important positions of influence in the culture. Online venues are huge. The university-level system is poised for massive correction in the downward direction.

The money system is seriously broken. The Fed prints and prints but it is not inspiring economic recovery or even bringing about the inflation that would be necessary to cover the government's astonishing debt level. A measure of the monopoly's effectiveness is the lockdown of bank lending and the downgrade of US bonds that occurred last year.

Because of this failure, new forms of private money are flourishing: precious metals, digital currencies, gift cards, cash-based credit cards. Peer-to-peer lending is booming. More challenges to this monopoly appear by the day.

Police, justice, and security? This is an interesting case. Thirty years ago, the police were not militarized, the courts were not clogged to the point of being useless, the jails were not full to capacity, and there was a sense that the system was flawed but essentially workable. That is no longer true.

After 9–11, the state overreached and militarized the entire security system in this country, thereby exposing its essential nature. More and more people are catching on to the reality that the security system is not there to protect us but rather to protect the state itself from us.

Hoppe's checklist provides an extremely revealing look at the stability of the political system today. How far are we from a real or de facto revolution in which private society displaces the corrupt and bankrupt public system? It could be sooner than anyone predicts.

A Theory of Socialism and Capitalism shows us what to look for and how to access the triggers that make dramatic change possible.

Final note: if the ideas in this article seem outlandish, it is wise to compare them to the ideas in circulation in the US colonies in 1775. A whole generation favored the abolition of government. "The instant formal government is abolished, society begins to act," wrote Thomas Paine.

“A general association takes place, and common interest produces common security.”

We’ve traveled a long way from these ideals. Thanks to technology and the breakdown of government monopolies, we are travelling down the other direction toward freedom.

41 How Markets Fixed the Travel Problem

I was standing outside the hotel when a gigantic bus rolled up. It was a double-decker and seemed as long as a city block. One-hundred-plus people poured out. Once empty, the bus drove on. I stood there right in the path of the exhaust fumes. It was a cloud of gray, bellowing like a smokestack, filling the front entrance of the hotel with a thick haze of exhaust that lingered for what seemed like minutes.

As it happened, I had just left my hotel room, where I was researching the Obama administration's proposed mandates on fuel economy. The standards covering Corporate Average Fuel Economy (CAFE) will be tightened on cars so much (52 mpg by 2015) that some observers can't even begin to think their way around them. Gas-powered cars will have to become so small that we'll all be driving around like the Italian bourgeoisie, or they will have to be hybrids or all electric.

Oh, and for the first time, broadly relevant standards will apply to trucks and buses, which have by and large escaped the squeeze so far. Think about this. Cars have undergone a gigantic transformation over the past thirty years because of these standards. Sure, consumers like to save gas, but at the expense of safety, elegance, and vehicle longevity? A free society would leave the right mix of these to industry and consumers. In a mixed economy like ours, the central planners think they know better.

But why have trucks and buses escaped? The loophole is so large that it is mostly responsible for the invention of this thing called the SUV. Time was when such things were only a tiny percentage of the marketplace. Now more than half the passenger vehicles sold are in this category. Depending on how you calculate it, the category of buses and trucks including SUVs is responsible for more than two-thirds of the pollutants in the air. Yet they keep targeting cars.

I became curious about this a few weeks ago when a neighbor held a party at his house. The whole block filled up with the most gigantic cars ever. I couldn't believe my eyes. Just as the government is trying to reduce vehicle emissions, these monster cars, called trucks, are selling as never before.

I've not seen detailed studies on this, but just glancing at the existing reality suggests that we have yet-another case of "unintended consequences" of government regulation. Instead of putting the masses of people in tiny, tin-can cars, the regs have prodded those who can afford to take the step to upgrade to these giant things they don't need or might not even want.

But this still begs the question: why have trucks and buses gotten away with this so far? Well, there are the lobbyists, of course, and trucking interests are powerful. But there's another factor that seems ideological to me: The government doesn't like individual drivers.

To the miserable bureaucrat, cars seem like too much the sign of capitalistic decadence. The car empowered us as individuals. The collectivist-oriented bureaucracies don't like that. They want us shuffled around in big mobs from place to place, or wheeling around on bicycles as in Mao's China. If we are to drive our own cars at all, we are supposed to "carpool" and fight over the radio dial. This is the bureaucratic/political mind at work.

Let's think about this in bigger, longer terms. The nature of travel is one of the most changed by the advent of the capitalist economy. For most of human history, travel was something to dread and even avoid at all cost.

Just look at the term itself. The word travel shares the same Middle English root as the word travail, which means to toil or labor. The word in Middle English was *travaillen*, which meant something deeply unpleasant. Looking even further back in time, we find the Latin slang word *travailler*, which means . . . to torture!

Indeed, through human history, traveling has usually been torture. If you see a movie set in the Middle Ages in which one person is traveling on his own and is not being forced to do so, you can pretty much assume it is untrue. No one traveled alone. If you did, you would certainly be robbed, beaten, enslaved, or killed. You always traveled in groups, and these groups had to include people who could protect you. There was no other way. Most people stayed put.

What about modern times? Everything has changed. As usual, we take it for granted.

Michael Graham Richard did some interesting research on travel times in the United States, based on the 1932 *Atlas of Historical Geography of the United States*. What he found is quite revealing. It took people an entire day just to get out of New York. Going from New York to Georgia or Ohio took two weeks. If you wanted to get to Louisiana or Illinois, you had to set aside a full five weeks! That's just to get from here to there.

But thanks to railways, all this changed half a century later. What used to take two weeks in 1800 took only a day or two by 1857. If you set aside a week, you could get to Texas—the travel time sliced to about 20 percent of what it was fifty years earlier. In a month, you could get to California, which was rather amazing by historical standards. Also, you wouldn't typically be beaten, robbed, or killed, which was pretty great.

By 1932, modernity had arrived. You could go coast to coast in four days!

Of course, now you can do all of this in a few hours, thanks to planes and cars. And driving itself became more fun than ever. It's one of the great changes in the history of the world: travel went from torture to joy. And it happened because of technological advances working through a market system that serves people in their daily needs. Getting from here to there is one of the strongest needs that we humans have. It is what gets us all the things we rely on for the good life.

We live in times when government regulations are working to turn back the clock. They are after conveniences such as toilets, showers, washing machines, microwaves, and anything else that makes our lives just a bit happier at the margin. That includes cars.

I have some respect for the hope that our cars will emit fewer pollutants. Everyone wants cleaner air and no one really wants to contribute to environmental problems. But I do not for an instant believe that this is the real reason behind these regulations. What the bureaucrats want is to make us just a bit more miserable, dependent, and poorer, plus slightly less mobile. These people know not the meaning of human service, so they turn their powers to the opposite cause: taking away from us the things we dearly love.

They could never convince us to give up our cars by pure persuasion, so they resort to regulatory coercion to make it happen. They want us all to gather in double-decker buses and travel in packs of a hundred, just like those people I saw pouring out of the bus that day, all coming from the same place and all landing at the same place. This is the bureaucrat's dream. But it is not ours.

Our dream is for flying cars. We might get there someday, but it won't be because government pushed the idea.

A final practical note: Remember the "cash for clunkers" program that paid people to buy new cars and destroy their old ones? That ridiculous program sent the prices of used cars soaring. Well, they are falling back to normal now. Used cars on average have gone up at half the rate of the overall CPI, if you look at numbers back to 1995. It's a good time to buy—now, before the Obama administration has its way.

42 The Gas-Price Story of Hurricane Sandy

For those schooled in economics, the gasoline shortage during Hurricane Sandy was no surprise. Demand for gas goes up. Supply lines are disrupted. It's the old supply-and-demand thing. The price goes up. Higher prices attract new supplies from unconventional paths. Prices respond and fall back again. The market handles it just fine.

All is well except for one thing: There were antigouging laws on the books. These laws restrict the upward path of prices. Plus, most people anticipated exactly what happened. By executive order, governments at all levels impose even-more-restrictive controls. These controls prevented prices from being licitly raised at the onset of the crisis.

Most of us got our news during this time from conventional outlets. We lived on scraps of information. Most reporters, as you probably know, are not schooled in economics. They don't know what to look for. They see a gas line and don't know what to make of it. The whole problem just mystifies them. They don't get how cause and effect work in the economic realm. That's why those of us on the outside had to make due with such scattered reporting.

What about the people on the ground? There was one trader in New Jersey schooled in economics who knew exactly what to look for. He understands cause and effect. He knew that shortages were coming. And he knew the market wouldn't give a flying flip about the government's orders not to raise prices.

His name is Peter Earle. He did real-time reporting during the entire episode.

His report begins three days after the storm hit. He was on the ground watching pump prices. He saw black markets working. He was downloading smartphone applications that were quoting real trades. He spent his evening hours on websites where there were bid-ask quotes going on constantly. He subscribed to every gas tweet, of which there were many thousands.

What he found was extremely revealing. Despite laws and warnings, threats and denunciations, the market did, indeed, work as expected. The action began on November 3. Prices shot up from five dollars to ten dollars

and fifteen dollars per gallon. Diesel was selling for thirty-five dollars. Generators were also all over the markets, rising in price.

The markets became very sophisticated very fast. People were including delivery in their price as premiums. Within hours, the terms became more complex, varying by quantity purchased and service provided. One seller offered the following terms: “10 gallons costs \$150, 20 gallons costs \$200, 30 gallons costs \$250.” Another offered fifty gallons for “no less than \$7 per gallon.” Still another offered \$12.50, but with a five-gallon minimum.

Earle calls the sellers of gasoline and other essentials “disasterpreneurs”—businesspeople who know how to make a buck while providing the services people need. We think of black markets as consisting of sketchy people selling to sketchy people, but this was not the case. Absolutely the whole population was involved.

Already on this day, the economically illiterate were denouncing what was going on. Earle quotes one tweet: “Instead of trying to screw people, you should be someone who has no heat . . . free gas ***hole.”

Well, that misses the point. Gas will be rationed in good times and bad. It can be rationed through market prices that reflect real scarcities or it can be rationed by executive edict, as was eventually the case in New Jersey.

All throughout this day, prices were both up and down. The highest price Earle found was from devastated Staten Island. It was for five gallons for twenty-five dollars per gallon. But not even an hour later, he found a new low offer that fell to eight dollars per gallon.

Interestingly, not all bids were for money. Earle found some evidence that some unnamable illegal services were being offered for gasoline. Also, the following morning, a trade in New York sought to buy five thousand gallons of gas for a baseline minimum of a twenty-dollar Gold Eagle.

Interesting, isn't it? Most people don't keep much cash on hand. In a crisis, they can't get to a cash machine. In a serious crisis, the cash machines don't work. Or maybe they are empty. What do you do? Gold and silver might be the only truly marketable commodities.

The trading boards were also filling up with offers to bring gasoline from Maryland, Ohio, and as far away as Georgia—all provided that market prices would prevail. After all, if there are surpluses in those states, why not truck it in, make some money, and do some good at the same time? Makes sense.

Yet as expected, it was just as these markets were driving down the price to a stable equilibrium that officials at all levels started to announce they would soon begin prosecuting price gougers. That did it: Prices went up again to the fifteen- to twenty-dollar range. This was when things got pretty scary

and the market players had to become a bit more careful, arranging deals in secret and exchanging goods rather furtively.

The political pressure to crack down only increased. As I wrote at the time, Gov. Chris Christie briefly considered letting the market work. But reports said that he said this almost as an intellectual musing and then quickly shifted to a full-scale rationing position based on the 1970s model of something totally irrational. The days on which it was legal to buy depended wholly on your license tag. That immediately led to new forms of markets opening up: markets for license plates!

Did any of the controls make any difference at all? According to Earle, they managed only to drive legitimate markets underground. They slowed markets and distorted them, but did not end them. From the point of view of what was actually being bought and sold, they made no difference whatsoever. People from all walks of life threw themselves into the black market to survive.

People never imagine that they will openly defy the powers that be. Americans like to think that they are law-abiding people and that their government has their best interests at heart. But matters change when your refrigerator stops working, your house is freezing, cellphones die, and your car has no fuel to get to the store or the hospital.

Suddenly, regular people in New Jersey and New York found themselves having to make the decision between obeying and surviving. They chose surviving. You probably would too.

Will officials learn anything from this experience? Absolutely not. They will repeat it. The experience of Sandy only ended in tightening the gouging laws. Gov. Christie was widely considered a hero even though his despotic actions spread misery much more widely than it otherwise would have spread.

Here's Earle's conclusion, written during the thick of the action: "What's keeping folks fed, warm, and safe in Queens and Staten Island? Not FEMA, the Red Cross, Obama, or Romney. Anarchy is."

By anarchy, he means human action. People finding peaceful ways to deal with disaster. Some of those ways included getting generators, buying gas on the free market, and even paying in gold and probably silver, too.

43 The Coxeyites, the Bankers, and the Political Class

In 1894, a scraggly band of misfits made their way from Ohio to Washington, DC. They had a plan to present to the political class, one that they said would bring an end to the economic depression that had been sparked by the Panic of 1893 and guarantee a future of endless prosperity for all. Their plan was for the politicians and the government to print unlimited amounts of money.

Surely, that would solve everything! After all, most of these people knew exactly what was wrong with their lives. Their once-booming farmland had collapsed in price. Their land was now underwater, just like millions of houses since 2008. They would be stupid to pay what they owed, and they didn't have the money to do so anyway.

The bankers were foreclosing on them. The bankers owned the politicians. The politicians and the bankers were financially linked in every way, and the glue that held them all together was Wall Street. Everyone seemed to be making money except the little guy.

It was from this disgruntled class of indebted and bitter farmers and workers that Jacob S. Coxey recruited his army of political activists. Coxey was an American classic, a self-taught money crank who believed he had discovered the secret to perpetual economic motion. Clearly, a shortage of money was what vexed the country. Eliminating that shortage would fix all things, and, crucially, dislodge the bankers, capitalists, and politicians from their seats of power.

So they marched and marched for months on end. It was the Occupy movement of the time, using the same rhetoric and pushing the same silly ideas. The only difference then was style. Whereas the Occupiers wore tie-dye and sang folk and rapped, the Coxeyites wore suits and sang "Onward, Christian Soldiers."

In 1894, their movement amounted to not much of anything. The Panic of 1893 was bad, but didn't drag down everyone and everything. The politicians worked with Wall Street to dig up enough gold to keep the banking system as a whole solvent, even as many banks were allowed to go under. The money cranks, then called the Free Silver Movement as the successor to the

Greenback movement, couldn't really get a hearing. By 1897, the economy had fully recovered and the threat of the Coxeyites abated.

The entire incident is reported in careful historical detail in the opening pages of Garet Garrett's great novel *The Driver*. As the book explains, the real background of the Panic of 1893 had nothing to do with a shortage of money as such. In every financial panic, even under hyperinflation, there always seems to be a shortage of money. What are actually in shortage are the resources necessary to sustain an artificial boom.

The book further chronicles the life of entrepreneur Henry Galt, who wanted nothing to do with either the Coxeyites or the bankers or the politicians; he just wanted to build great things, and he did. He was the driver. In the first scene in which he appears, he notes something important about the throngs of marchers to Washington. These people don't have to work and still they can eat. That is historically unprecedented, a sign of a level of prosperity society had never known before. Yet . . . it is never enough.

Behind the cyclical panics of the nineteenth century were speculative bubbles blown by a familiar set of forces. Politicians pushed infrastructure projects like railroad lines, which in turn encouraged wild real estate speculation around the country based on the expectation of prosperity and riches. These speculative investments were supported by a banking system that the political class worked to support in exchange for the cooperation of the banks in backing government debt.

The system encouraged investors and businesses to borrow and expand on the expectations of sure profits. They were just following the signals: low borrowing rates, money for all, a future of rising prices, and returns down the line that seem guaranteed. Then one day, the signals would change and the system would turn in on itself, revealing entrepreneurial errors and unwarranted business expansions that could not be supported by real economic growth.

It was an unending cycle of boom and bust—nothing compared with what we experience today, but it affected some people very severely. Why didn't people know better than to stay out of harm's way? It was the same then as now. In the boom, the people on the sidelines seem like chumps who are passing up easy profits. Even if you know the boom is a fake, no one knows when it will end. Everyone tries to make good while they can.

All of this happened before the Fed came into existence in 1913. In fact, the creation of the Fed was the final step in a long process of intervention and centralization that had taken place over decades. The late-nineteenth-century gold standard was far better than the current system of fiat paper money, but it was not a true market. Banks were not normal businesses. Because

governments at all levels regarded them as important financial partners, they were more immune to market forces than any other industry.

There are other pieces of the puzzle that explain the panics of the period. The development subsidies for railroads and the bond deals voted on by the political class subsidized financial irresponsibility. It was the same cycle again and again: capital expansion, indebtedness, and high profits, followed by a sudden turn in the opposite direction. The victims cry out for relief from the consequences of their own decisions. The remedy is always the same: more money creation.

Finally, in 1913, the political class and the big bankers got what they wanted: a system protected from real competition and systemic failure. It was the ultimate thing they had long dreamed about but were never able to get through. It was a victory for the moneyed establishment, but sold as a benefit to the Coxeyites of this world.

They would get their system of money creation. Banks would get their guarantees. Politicians would have a reliable market for their debt. Finally, and at long last, Wall Street, the banking elite, and the government would all work together with this great system called “central banking.”

Did this grant unto us unlimited prosperity forever? Actually, it marked the last days of massive economic growth in the twenty-five years following the end of the Civil War. It was under the gold standard, however imperfect, that we saw history’s most amazing economic expansion, a time of dramatic change toward middle-class prosperity, longer lives, and greater health and well being for all.

The first gift of the age of central banking was World War I. The debt overhang from that calamity led indirectly over time to the boom and bust of the greatest stock market panic ever, in 1929, followed by a grueling ten years of calamitous regimentation, government spending, and corruption, which were followed by the globally murderous Second World War. The second half of the century can be summed up in three parts: war, debt, and economic stagnation. In the course of the century, inflation laid waste to money and people’s savings.

So no, it didn’t turn out so well.

Meanwhile, the Coxeyites are still with us, still believing that more, unlimited money will solve all of society’s ills. Also still with us are the bankers begging for favors. So are the politicians who spend without the money to pay. So are the speculators who play the boom-bust system as best they can. So are the infrastructure developers who go running to the government every time they find themselves overextended.

The only difference is that what was once a periodic problem has become a way of life.

44 The Great Robbery of Wage Earners

If you think of American wage earners as swimmers, they were mostly underwater after 2008. Then last year, wages increased a bit. It was only 2.4 percent for the year, but it was like coming up for a slight gulp of air.

Now think of Congress and the president as the people in a boat pushing the swimmers' heads back underwater. That's exactly what they did when they let the payroll tax arrive on the first day of 2013.

The 2 percent increase wiped out virtually the whole wage gain for the previous year. It came as a shock to most workers. "There goes my raise," was the cry heard all over the Web in the first week of the year.

Michael Daneau, who works a lighting store in Rhode Island, posted on his Facebook wall:

I opened my paycheck today and noticed I got less pay than I usually get on a regular 40 hour week. Obama stole \$20 more out of social security. So now I'm back to making what I was making before my last raise. All that hard work paid off! Stick around more hope and change is coming!

Some follow-up comments:

- "My wife is being taxed another \$150 a month making less than \$40,000. We will likely have to move back to an apartment from our rental house as a result."
- "I've been drawing two days vacation pay each week since my heart attack in early Dec. One day pays for my weekly insurance premium, the other goes towards my rent. This week, I have a \$6 reduction in total net 'income.'"
- "I've lost \$18 per week."
- "I make about \$50,000 a year. I will lose approximately \$70 a month due to this hike. Someone with a brain, please explain to me why in the hell my taxes should rise when we've all seen the nauseating curve of how well the 1% are doing."

It came as a shock to most people because a payroll-tax increase had not really been part of the negotiations. We endured weeks of wall-to-wall coverage of the “fiscal cliff.” It was a brutal and heavily partisan battle. How much spending? How high or low the income-tax rates? Either way, only the rich would be hurt, right?

Think again. The payroll tax is the broadest tax increase, taking a far greater bite out of income than the income tax as such.

But where was the discussion of the payroll-tax increase? There were no speeches about it. There was no back and forth between the parties. This is because, says the *Washington Post*, there was “general agreement” it had to happen. The government provides these programs. The disbursements have already gone out. They must be paid for. You are on the hook, period.

Earlier in the year, when this subject was discussed behind closed doors, the *Christian Science Monitor* reported:

Getting Congress to agree to continue the payroll tax cut yet again might have been problematic. Many politicians, from Rep. Nancy Pelosi (D) of California to Sen. Orrin Hatch (R) of Utah, were less than enthusiastic about extending it. That is in part because the money that would have come from wage earners’ pockets for Social Security was coming instead from the U.S. Treasury’s general fund.

If anything, the Republicans were even slightly warmer to the payroll-tax increase. This is because it was the Democrats who made the temporary decrease part of the stimulus package of 2010. The idea back then, inspired by Keynesian-style theory, was that by letting workers keep more of their money, they would spend more money and thereby increase aggregate demand, which supposedly addresses the key to why the economy is faltering.

Republicans traditionally favor a more supply-side solution. They want tax changes that benefit producers and investors, based on the idea that what is causing the economy to falter is a lack of real investment. They, as much as the Democrats, see the tax system as a tool for a different sort of economic stimulus.

Both sides are right, but for the wrong reasons. Whenever private property is transferred away from owners to the government, the prospects for recovery are harmed. The point isn’t to boost either the supply or the demand side, but simply to let people keep more of their money. Whether that money is saved or spent, invested or blown on fripperies, what matters is that economic growth flows from the decisions that people make on their own, and not the decisions that government makes for them.

But people in Washington of either party aren’t very warm to this idea.

Note this for the future: What matters is not what they debate, but that what they together decide should not be discussed at all! This is the real business of government. It's the issues that the political parties agree on that the public need fear most. This is the area in which the most deadly fleecing occurs.

So it came as something of a shock to millions to see their paychecks slammed by twenty to forty dollars every week. Where is that raise I was just granted? How is this even possible?

Another factor here is the following: Ever since the 1940s, the payroll tax has been fobbed off on the public not as a tax, but as an insurance premium for services coming later. You know, like Social Security and Medicare. In the market, we pay premiums for services delivered at a later date all the time. Isn't this just the same?

Well, it's not the same. For one thing, these "insurance" programs aren't insurance at all. They are direct transfers of wealth. Young workers today are paying the bills for the money that retired workers have already spent. That's not the market at work. That's pure redistribution.

Another crucial factor here: No one elects to pay these stupid taxes. They are forced on us. And just as a sweet little reminder that this is true, the government prosecuted a prominent case of failure to pay just days after the payroll tax went up.

Fox News reported on January 6:

An eastern Wisconsin business owner will spend about a year in prison for failing to pay taxes that had been withheld from employees' wages.

According to court records, Lisa Bartz Vanden Elzen, co-owner of Dairy Transport Services of De Pere, failed to pay about \$193,000 in payroll taxes. She's also accused of failing to pay the Internal Revenue Service \$81,000, the employer's matching share of those taxes.

The Green Bay Press-Gazette reports the 47-year-old was found guilty in U.S. District Court of failing to pay payroll taxes that had been withheld from employee wages from July 2005 to December 2010.

She was sentenced to 366 days in prison and ordered to pay restitution of \$274,000 for federal tax violations.

The message is that the government means business. You may not refuse its benevolence. If you do, you will go to jail. There is no way out. They've got the guns.

But of course, you can push people only so far. The growth of the informal sector continues, and this sneaky little robbery is going to push

more people into the role of noncompliance, choosing modes of living that avoid the official system altogether and living on a cash basis, using modern financial tools like anonymous debit cards to make doing so more efficient than ever.

Washington tells us constantly that they are looking after our best interests and want to stimulate the economy toward recovery. This little caper is the best and clearest evidence I've seen in recent days that this is not the case. What Washington really wants is more of your money.

45 The Man the Keynesians Fear

The great battle since 2008 has pitted the ghosts of F. A. Hayek against John Maynard Keynes.

Team Keynes dictated the policies we know too well: more government spending, flood the economy with money, prevent liquidation. This team predicted a recovery that still hasn't come.

Meanwhile, Team Hayek has had a different set of predictions. This would not boost recovery. It will forestall it, even make everything worse. We'll pay an even higher price later on.

As the failure of Team Keynes has become clearer, the battle has become brutal, a real war of words, some of which have been flung at our very own Robert Murphy, who serves on the advisory board of the Laissez Faire Club.

Naturally, we're coming to his defense.

Hayek and Keynes—the great opponents in the struggle over how government should manage recessions—were social acquaintances. They disagreed profoundly on nearly everything. Still, they had respect for each other's professional accomplishments.

For this reason, in 1946 Hayek asked Keynes the burning question. Did Keynes worry about whether his followers would use his theories and invoke his name on terrible policies? Keynes said no because he would simply step up and correct them, distancing himself from whatever contradicted his core values.

A few weeks later, Keynes died.

He left hundreds and thousands of economists—many generations now—to claim to speak for him. And what they have said and done is really quite terrible. And most of these terrible policies have been an extension of what Keynes himself suggested in the 1930s and 1940s.

Would Keynes have repudiated them? Maybe or maybe not. Keynes had a long record of randomly changing his mind depending on the political need at the time.

So it is with his followers. The two most prominent and politically engaged Keynesians today are Berkeley's Brad DeLong and Paul Krugman of

MIT and the *New York Times*. Since 2008, they have been the leading voices in defense of endless rounds of stimulus. However much money Congress spends, it's never enough. However much money the Fed creates, it should create more. No matter how low interest rates are, they should be lower.

For five years, they've engaged in an unrelenting rhetorical ploy. When there's good economic news, they say: look how government intervention worked! When there's bad economic news, they say: we told you that there needed to be more government intervention!

It's pretty clear that no existing reality will ever shake their faith in the power of government to cure all ills through regulations, inflation, spending, and taxation. It's an infallible doctrine.

It's been fascinating to watch mainly for one reason. Those of us with a non-Keynesian understanding of economic processes knew all along that the post-2008 stimulus would not fix the problem and would actually end up doing more damage. The proponents like DeLong and Krugman—two among multitudes—said repeatedly that only government measures would cure the problem.

Team Hayek knew better. We knew that artificially low interest rates would only break the system, that more spending would only divert resources, that more regulation would only gum up the works of enterprise, and that more debt would only crowd out private investment.

You might think that DeLong and Krugman should be held to account. Well, one of the most effective interlocutors has been Robert Murphy. He has tracked their predictions carefully for five years and shown repeatedly that they have been consistently wrong. More substantially, he has shown why they have been wrong. Their simple mechanical models are too aggregated to capture the complex pricing signals of the market.

Murphy has repeatedly challenged Krugman to a debate, and even raised eighty-one thousand dollars to go to a charitable cause if Krugman agrees. But neither DeLong nor Krugman have shown any willingness to engage Murphy in a debate or closely discuss Murphy's "Austrian" views on the great economic problems of our time.

Then at year's end, both blew a gasket.

DeLong went first. He called out Murphy on his prediction that we would see 10 percent price increases by 2013, and further drew attention to a five-hundred-dollar bet that Murphy made with economist David Henderson on this point. Then Krugman jumped in too, further flogging Murphy. Both said that Murphy needs to apologize to his readers and rethink his entire worldview.

Talk about chutzpah, huh? The Keynesians are the ones who have been “completely, comprehensively, unmistakably, fundamentally, fatally, totally wrong” (to use DeLong’s words) about the stimulus. After all, if stimulus no. 1 worked, there would not have been a need for no. 2, no. 3, no. 4, and no. 5 unto infinity. It’s never enough. Even the little progress they can point to, such as a slightly lower unemployment rate, is compromised by the dramatic fall in the workforce itself. It’s hardly progress that millions have simply decided to give up on ever finding suitable employment.

It was Murphy that has been 100 percent right about the big picture: Keynesian policy has not done what it is supposed to have done, and this is for all the reasons that the Austrian-Hayekian model would predict.

But what about Murphy’s own inflation prediction? After all, wasn’t Murphy wrong here and didn’t he lose? Yes, he was wrong. But note: he obviously believed in it enough to put his own money on the line, which is saying something in a world of punditry without accountability.

Moreover, being wrong on this one empirical matter says nothing about the Austrian model itself, which is not a model designed to predict inflation but a model to account for the business cycle itself and how not to try to cure it.

The mitigating factors that Murphy overlooked make a fascinating study in themselves. The European meltdown dramatically increased the market for dollars overseas, blunting inflationary effects at home. Money velocity has also taken a dramatic fall, reducing upward price pressure all around.

Above all else, Bernanke’s zero-interest-rate policy has broken the banking system and made it less effective in creating the credit that it might have in the past. In other words, Murphy had assumed that prevailing institutions would keep working as they had. But they stopped working and therefore didn’t react as one might expect.

(I’m also among those who had expected dramatic increases in prices and admit that I too was wrong.)

There is nothing unusual about this. Recessions often signal troubled bank balance sheets and a broken system of credit expansion. In fact, the years 2008–13 closely parallel the years 1930–32, when the Fed was busy trying to create new money through the banking system but the banking system would not cooperate. Reserves ballooned (just like today) but money on the street did not.

Murray Rothbard tells the story in *America’s Great Depression*, the definitive Austrian account of the onset of the crisis. He shows how the Fed kept trying to expand money and credit through low rates and bond purchases, but they were unable to achieve their goals.

Following the stock market crash, “in 1930, the government instituted a massive easy money program. Rediscount rates of the New York Fed fell from 42 percent in February to 2 percent by the end of the year. . . . Despite this increase in reserves, the total money supply (including all money-substitutes) remained almost constant during the year,” while “production and employment kept falling steadily.”

Then in 1931: “The Federal Government had tried hard to inflate, raising controlled reserves by \$195 million—largely in bills bought and bills discounted, but uncontrolled reserves declined by \$302 million, largely due to a huge \$356 million increase of money in circulation. . . . The inflationary attempts of the government from January to October were thus offset by the people’s attempts to convert their bank deposits into legal tender.”

Again: “The Federal Reserve tried its best to continue its favorite nostrum of inflation—pumping \$268 million of new controlled reserves into the banking system (the main item: an increase of \$305 million in bills discounted). But the public, at home and abroad, was now calling the turn at last. . . . the will of the public caused bank reserves to decline by \$400 million in the latter half of 1931, and the money supply, as a consequence, fell by over four billion dollars in the same period.”

And then 1932: “Despite this great inflationary push, it was during this half year that the nation’s bank deposits fell by \$3.1 billion; from then on, they remained almost constant until the end of the year. Why this fall in money supply just when one would have expected it to rise? The answer is the emergence of the phenomenon of ‘excess reserves.’ . . . Naturally, the banks, deeply worried by the bank failures that had been and were still taking place, were reluctant to expand their deposits further, and failed to do so.”

Rothbard summarizes the paradox with a general principle: “In a time of depression and financial crisis, banks will be reluctant to lend or invest, (a) to avoid endangering the confidence of their customers; and (b) to avoid the risk of lending to or investing in ventures that might default. The artificial cheap money policy in 1932 greatly lowered interest rates all-around, and therefore further discouraged the banks from making loans or investments just when risk was increasing.”

As a result, money supply was flat or fell just as the Fed was inflating.

Sound familiar? Absolutely. It’s just like today. But get this: Rothbard is a thorough practitioner of the Austrian theory, a man from whom Murphy has learned economics. His book is the main Austrian account of the Great Depression.

In other words, it is the Austrians who have best accounted for our current plight, and that includes the phenomenon that Murphy himself had mispredicted only because he underestimated how much the downturn plus Bernanke's policies would wreck the credit system. Other than this point, Murphy has been more accurate in his forecasts than any economist of the non-Austrian variety.

It is very much to Murphy's credit that he was chosen by the two leading spokesmen for Keynes today as the great enemy that they have to slay. He is indeed. He is young, smart, and he knows his stuff. He has argued consistently that the Fed's policies will create new forms of distortions. We might yet see price inflation but even in its absence, the distortions in the bond market and capital structure are real and highly dangerous for the future of economic growth.

They attacked him on a small point on which he was vulnerable in order to distract from the bigger point on which he has been completely correct and they have been completely wrong.

I'm also very happy to announce that Murphy will be first up in an exciting new series of seminars run by the Laissez Faire Club. In the course of three lectures with questions and answers, he will discuss the current economic stagnation and the correct theory that accounts for it. He will present to readers the ideas that have granted him such prescience in a time when the Keynesians have been so consistently wrong.

46 The New Year's First Heist

The high priests of the civic religion are very worried that people no longer seem to trust government. The law stands discredited. Once-hallowed institutions are under fire and losing status. People are openly loathing public officials. Movies, television, and best-selling books urge revolt. Most people don't bother to vote.

And these priests wonder why.

Here's an example of why. As the year opened, the House, Senate, and president all collaborated to enact the largest tax increase in human history—under the cover of night on the first day of the year, on the hundred-year anniversary of the income tax. They did it in the name of saving us from some mythical beast called the “fiscal cliff.”

It's going to take an extra twenty to forty dollars or more out of your paycheck per week. If your son or daughter or a thief did that without your permission, you would be mightily upset. But this is what our elected leaders are doing to us, and we have no choice about it.

The tax increase is sly in other ways. It occurred in an area of federal finance that had not even been part of the debate, an area of taxation that many people don't even believe constitutes taxation: the payroll tax. The 2 percent add-on that everyone will pay hammers the middle class in a way that all politicians, Left and Right, have sworn they would never do.

But they did it anyway, even though it will seriously harm job creation, rob people blind every day for years, and do injury to that paltry economic growth that barely seems to exist. In short, from an economic point of view, it is the stupidest policy one could impose, given the fragile state of things.

Why would they do this? Because you have money and they want it. They have deemed their priorities to be more important than your need to save, go out to eat, go to the movies, rent movies, or whatever.

In all the stimulus efforts since 2008, only one measure truly made sense. In 2010, the administration and Congress cut the payroll tax. The idea was to leave more money in workers' hands and lower the cost of hiring. It was a rare moment of good sense. It wasn't enough, but it was a step in that direction.

The frenzied deal to avoid the “fiscal cliff”—a phony, DC-generated crisis designed to frighten and intimidate the public—included a repeal of this tax break. Incredible. All that talk about taxing the rich only, about broadening the base, etc., and this is what it comes down to: a massive fleecing of the entire workforce, combined with no spending cuts at all. And get this: the bill is called the “American Taxpayer Relief Act of 2012.”

Unspeakable.

You can be forgiven for not knowing about this. You have to read deep into the *New York Times* article on the tax deal to find it. I listened to an hour of *Morning Edition* on NPR and didn’t hear a word about it. Instead, all we hear about is what a glorious moment this is for the cause of political compromise and how the new tax will affect only incomes over four hundred thousand dollars. This is sheer nonsense.

As for 2 percent, that’s no small shakes. It was the whole of the tax as it existed from 1943–49, and then it was effective only up to \$3,000 in income. Over time, it increased more and more. Today, two-thirds of taxpayers pay more in payroll tax than they do in income tax. For the vast majority of Americans, the payroll tax is the main means by which they are looted every day. It is hardly irrelevant.

Why is it that we hardly ever hear about this tax? Long ago, when FDR first put in place the Social Security program that the payroll tax funds, he fobbed it off as a form of insurance. Insurance is a market institution. You pay a premium to guard against risks you can’t control. It makes no sense to apply this term to a guaranteed payout that appears at a set date in the future, one funded not by premiums, but by direct transfer payments.

Still, the term stuck. All these years later, and despite the obvious insolvency of the “insurance” aspect of the Social Security program, people inside and outside government still treat the payroll tax as some kind of market-based program. This is rot. The payroll tax as currently constituted brings in enough revenue to fund the whole of the federal government as it existed in 1982. Yet the elites are still not calling it what it is.

The little scam of raising this tax in cloak-and-dagger conditions is an old one. This is precisely what Ronald Reagan did after 1983. He was able to use his reputation as a tax cutter to enact what was then the largest-ever tax increase in the guise of “saving” Social Security. Much to the delight of the entire political class, the trick worked. Taxes went up and up, and somehow, Reagan still maintained his reputation as a tax cutter.

So this recent racket is a redux of the 1980s. In retrospect, we all should have seen this coming. This is why Washington ginned up this phony hysteria

about the “fiscal cliff.” Reporters never stopped talking about it. Every day, we were told about the coming disaster. This way, we were supposed to be grateful to our elected leaders for saving us from falling.

The news is also slowly leaking out that the tax deal doesn't cut a dime of spending; on the contrary, it guarantees spending increases far into the future. Irresponsible? Absolutely. But think hard about this. What incentive does anyone have to cut spending so long as there is a money-printing machine down the street—it's called the Federal Reserve—that can cover the liabilities as quickly as Congress can rack them up?

The Fed was founded one hundred years ago this year. It's the best thing that ever happened to government. It took a few decades for the presidents and Congresses to warm up to the wonderful reality, but finally, after 1973, when the dollar became nothing but paper and all gold was removed as a limit, it became clear: no one in Washington would ever again have to curb their appetite for spending other people's money.

Thenceforth, they would take what they could through every possible means, and print what they could not steal directly. This is the business of government.

Most people are clueless about the specifics. But almost everyone knows that something has really gone wrong in Washington. Almost everyone gets the core truth: These people are living at our expense. All the pseudoscience in the world can't cover up that core fact.

This is why so few really trust the system anymore. It's a system of robbery. It's also why so many people have realized that if they intend to retain any of their liberty and property, they are going to have get extremely creative about doing so. After all, if government can use this amount of trickery to rob us, the rest of us are surely justified in using any clever means possible to put a lid on it.

IV

A CULTURE OF LIBERTY

47 Javert's Religion of Statism

Those who take prosperity for granted—and all of us do whether we admit it or not—would do well to make their way to the film *Les Misérables*, which features Russell Crowe playing the role of the relentless French cop Javert (not to mention an astonishingly effective presentation of “I Dreamed a Dream” by Anne Hathaway).

This film brilliantly pictures a level of poverty that none of us has ever known. We do well to reflect on it and the reasons that we do not experience such poverty now (hint: it's not because of Congress).

And such images are an effective rebuke to the new primitivists of the Left and Right who tell us that we should go back to simpler times, to restrict, to stop the growth, to curb our use of everything from gas to water to food. Let this movie stand as a monument to what poverty really means. The results are not romantic, much less healthy. They are gritty, gross, painful, and inhumane.

Not surprisingly, this poverty is accompanied by a ruthless government suppression of individual freedom, showing just how much poverty and statism are actually directly related in this world.

Poverty on this level is something we have a very difficult time understanding. But the novel's author, Victor Hugo, saw it all around him where he lived in Paris. He wrote the novel in 1832 during very difficult economic times in France. The currency was depreciating. The crops were failing. Food was in short supply. A cholera epidemic had hit Paris, which itself was overrun by immigrants from many nations in Europe who had been tossed out from their home countries.

It was particularly grim in cities like Paris. The political solutions of the time favored either the reactionary solution of repudiating republican principles in favor of the monarchy or the revolutionary tendency toward yet another expropriation of the aristocracy. A third alternative at the time was later represented by the great thinker Frédéric Bastiat, who pushed the idea of *laissez-faire*—that is, removing government completely from the picture and letting prosperity rise by the strength of private initiative.

The film opens in the midst of this mess, in the nineteenth year of convict Jean Valjean's grueling punishment for having stolen a single loaf of bread. He is released from slave labor but put on parole for life. Javert swears that he will enforce this parole come what may, and he does so until the end. The law is his devotion. To his mind, the state that made and enforces the law, and for which he works because doing so gives his life meaning, is the arbiter of all justice and that justice must be blind regardless of circumstances.

The irony strikes us immediately. Nineteen years of hard labor and a lifetime of reporting to a parole officer for a petty act of theft? Surely this is disproportionate. Indeed, it is cruel and pointless.

And what is the law that it can claim the moral high ground here? The law is the thing that taxes, that steals the purchasing power of money, that kills in wars, that brings misery on the population so that its connected elites can live well at the population's expense. The state steals far more than scraps of bread. It steals property from the people as the very source of its own sustenance, and also and therefore lives, hope, and the future itself.

As Bastiat would later write, the original purpose of law is to protect property and life, but the state turns law on its head, making it into an instrument of plunder. In so doing, the law gives up the moral high ground, enforcing edicts among the general population that the state itself routinely violates in the course of the normal work of government. All the agents of the state produce no wealth on their own but enjoy their privileged position entirely at the expense of everyone else.

Javert himself is a good example of this. He has plenty amidst poverty. He dresses well among people living in rags. He enjoys security in a sea of people who live hand to mouth and have no sense of what tomorrow might bring. He is a living and walking hypocrite, but he never really sees it because all his faith and all his morality is tied to an institution called the state. He imagines himself as an instrument of justice but he is actually a source of injustice.

Still, Javert will not relent. He chases Jean Valjean from place to place, outing him as a criminal, persecuting him wherever he finds him, determined to see him strung up not only for his act of petty theft but, most importantly, for his outrageous defiance of the state in failing to show up for parole. Javert himself believes in his heart that his quest is not personal. It is a matter of following through with his job, which is the enforcement of the law. To his way of thinking, the law is either valid—regardless of what our moral intuition might say—or his life and the state to which it is committed is a complete lie, and that is a prospect that he cannot abide.

I could not watch this brilliant film without thinking of all the ways in which the state and its agents today do the same thing as Javert—thanks to a completely unthinking devotion to the idea that whatever the law says is right. Marijuana smoking might be harmless and practiced safely and routinely by tens of millions of people, but because the law says that its production, distribution, and consumption is illegal, people are arrested, looted, and thrown in jail every day solely because the law says that it must be so.

This is just the most high-profile case of the law's absurdity. The criminal law prosecutes so-called piracy in the form of downloads that hurt no one. Every business, every sector of society, is subjected to a plethora of mandates and restrictions that make Napoleon's regime seem like a paragon of freedom by contrast. You need only to set out to take on some enterprising task to discover the endless thicket of regulations and taxes, restrictions and mandates that govern every aspect of life today.

The state takes up to 40 percent of our income and what it can't steal it borrows from the future. And yet this very state is the one that dares claim to enforce justice and peace among the general population, prohibiting us from stealing from each other, harassing or intimidating each other, and from using the threat of violence to get our way. The state is the least compliant with the law of any institution in society. And yet the jails fill and fill to make a separate slave nation within a nation. Even so, the state's goal of universal compliance is ever more elusive.

Under such conditions, we all do what Jean Valjean did: seeing that compliance with the law means giving up all hope for happiness, we choose life over obedience. By doing so, we are aware that we are committing a revolutionary act in our own small way. We are aware that if we are found out, we will pay the price. But we take the risk in any case, because we are sure of our rights, because we believe innately that we should be free, and because there is so much to be gained by saying no to those who presume ownership over our lives.

Most of us do not face the decision of whether to evade parole. But we do other things every day that we know our masters would not like and would punish if they knew. We try to keep as much of our own income and liberty as we can. More and more, it is obvious to us, as it has been obvious to any population living under despotism, that total obedience is for suckers.

In nineteenth-century France, and in eighteenth-century America, the belief that there was a line that the government must never cross gave rise to what was known as the liberal movement, of which both Victor Hugo and Frédéric Bastiat were members. Hugo had the poetry and the drama. But it was Bastiat who saw the answers in the form of economic freedom.

Before Hugo wrote *Les Misérables* (1862), Bastiat wrote *The Law* (1849)—a brilliant tract that explained that the answer to social and economic problems was not a different form of government—republican legislatures, democratic mobs, or autocratic monarchs can all be oppressive—but to devolve all power away from government to people in their capacity as owners and self-managers.

Two paths for reform are shown in the novel, play, and film. The first is that of armed revolution. It fails—not only in fiction but in real life in the Paris Revolt of 1832. The second path is more subtle. Jean Valjean shows a simple act of mercy to Javert. Javert is moved but realizes that if this mercy is true and right, his life and occupation are wrong and therefore must end. This moral revolution—which takes place one person at a time—is the more effective path.

The film *Les Misérables* is worth seeing because—whether intentionally or not—it draws attention to the great struggle between freedom and prosperity, on the one hand, and oppression and poverty on the other. It should be seen alongside a solid re-read of Bastiat's monograph *The Law*, which adds the legal and economic precision to Hugo's sweeping vision of the human plight. Both serve as reminders that the struggle never ends.

48 Contemporary Pop-Culture Themes Point to a Conscious Awakening

Over the last year, I've had some sense that certain themes are emerging in pop literature and film—themes that are different from dominant strains of the past. I struggled to put my finger on it, but it finally hit me what these themes are and why they matter.

The plot lines are highly suggestive of what it is like to live in (and overcome) an age of pervasive government control—an age pretty much like our own.

Five shows illustrate the point: *Breaking Bad* on AMC; *Orange Is the New Black* and *House of Cards*, both of which are currently making Netflix a mint in new subscribers; the insanely popular *Hunger Games* series of novels and films; and *Boardwalk Empire*, from HBO. Let's look at what they have in common.

All students of literature and film are trained to find the core source of drama in a story. What is it that is stopping the main characters from achieving their goals, and how do the characters work around those difficulties? In the nineteenth and early twentieth centuries, the sources were predictably natural: terrible weather (*Grapes of Wrath*), privation and the struggle with poverty (Dickens), caste and class (the Brontë sisters), moral upheaval (*Frankenstein*, *Dr. Jekyll*), the reversion to the state of nature as a result of accident (*Robinson Crusoe*), and so forth.

But times have changed. And twenty-first-century popular culture reflects those changes. Given all the progress we've made, the obstacles in our world tend no longer to be material but political. In most places in the world today, disease, hunger, shelter, plagues, and natural disaster aren't the overriding issues affecting daily life as they once were. Something different afflicts today's generation.

These are the artificial barriers of law and legislation as contrived by bureaucrats and politicians.

In many aspects of popular books and films, the reality of legal barriers and the resulting institutional restrictions create terrible constraints within

which characters must find solutions to problems. In doing so, people call on certain immutable features of human action. They trade with each other, legally or not. They rally individual talents. These individuals learn and train undercover. They muster their wits. They outsmart their masters through cunning escapes, creative entrepreneurship, and stunning derring-do. They pursue their self-interest while seeking ways to benefit others at the same time, all with the goal of not just surviving but actually thriving against the odds. They aren't outrunning wild beasts or hurricanes or other features of nature's cruelty; they are outrunning enforcement agents, authority and rules, and would-be tyrants.

GAMES PEOPLE PLAY

The Hunger Games illustrates the point nicely. This dystopian novel series, hugely popular among young people, features a tyrannical government bent on total social and economic control. Every person has been assigned a district and each district has certain deprivations assigned to it. Society has plenty of wealth, but that wealth is only on display in the capital. For everyone else, wealth is apportioned based on political favoritism and planning.

The result is a wholly unnecessary, wholly selective deprivation. Such deprivation is intended to keep the population dependent on the center and too weak to revolt. People are especially demoralized by the annual games in which two children are chosen from each district for a battle to the death—a kind of annual penance that must be paid as the price of an attempted coup d'état many years earlier.

What do people do about it? Surrender completely and have their individuality crushed? Not at all. These people form families, cultivate learning and talents, figure out ways to trade to their mutual benefit, and even come up with ways to subvert the system given the extreme constraints. They love, they grow, they struggle to be free, digging deep within themselves to find meaning and somehow cobble together a civilized existence.

The message of the series: the human spirit is uncrushable, despite every attempt to do it in.

In a strange way, the hugely popular *Breaking Bad* similarly takes on external restraints, this time those imposed by the drug war. A high school chemistry teacher is diagnosed with cancer; the cost of treatment means his family will be left destitute when the disease kills him—as it appears certain to do. So he turns to using his knowledge and talents to enter the production side of the drug market.

In this series, the viewer discovers a gigantic society that thrives despite the law. There are large production structures, monetary and financial arrangements, capital investments, distribution channels, and fierce competition between providers. The series is eye-popping because we all know abstractly that such sectors exist, but we don't encounter them in real life. And yet, the series retains the character of real life in every way.

In this drug sector, we see distortions that result from legal restrictions. People cheat, they lie, they steal. Violence is endemic. Jealousies and ego rage out of control. But despite it all, there are certain human universals. There is ambition, talent, exchange, determination, shifting alliances, social complexity, and the striving for a better life. And it all happens underground, even though the drug-war overlords are everywhere and absolutely determined to stop it all—the main character's brother-in-law is a big shot with the local DEA. Still, it doesn't stop and it won't stop.

The theme: the human penchant for getting ahead and living life to its fullest, even at great risk to person and property, cannot be crushed.

We find the same in the show *Boardwalk Empire*, which is television's longest-running series on alcohol prohibition. As the show's writers render the situation, two things are inconceivable about the law in such a world: that it could stop or even curtail alcohol consumption, and that there would be no vast, underground (barely) apparatus running production and distribution.

The official corruption among government agents is so pervasive that it is hard to call it corruption at all; prohibition is nothing but opportunity for them. All the main players are focused on the same issues as every enterprise: distribution routes, payments, accounting, suppliers, competition, product quality. The big difference between this market and others concerns the lack of legal channels to settle disputes. That means unrelenting violence.

Another permutation of the idea of artificial barriers is revealed in the prison drama *Orange Is the New Black*. Even in prison and despite ever-present guards and wardens, bars, and rules, somehow a complex society is formed. The prisoners learn to trade and develop ways of getting along, keeping dignity, cultivating talents, and finding love. All the guns in the world can't stop this process.

There is a complex coordination taking place between people and groups—a full society unto itself, even in prison, and it is not unlike regular society except to the extent that it is truncated and corrupted by the institutional constraints under which it evolves.

So there we have it. Even a high-security prison cannot suppress that which is in all of us: the longing for a better and more prosperous life. We

will form associations. We will cobble together a life. We will make the best of a ghastly situation and even prevail under extreme restraints. The drama with which we identify is to cheer on those who are getting around the system.

Intriguingly, you can find the same themes in the series *House of Cards*. I initially dismissed this series—who cares who is ascending or descending within the political system?—but eventually came to see it as subtly brilliant for what it tells us about government today.

The main character has the ambition to be president. He is dedicated to power as an ideology and life ambition. But in order to obtain it, he needs the cooperation of others, which he buys with favors and careful maneuvering. Even more than the prison situation, the political game is ridiculously artificial. Still, we see the same motivations at work as we see in every other area of life. Markets exist even in the thick of government morass. And yet because of the institutional constraints, they are put toward the evil end of ruling other people rather than serving them.

In other words, in each of these cases, the people continue to be like people we know—like the people we are—no matter what settings we find them in. Whether a totalitarian dystopia, a drug war, a justice system plagued by corruption, a prison, or even a self-contained world of politics that is nearly untouched by market forces, markets still operate because markets are built by people who are not machines but real human actors.

These are all stories of the invincibility of individualism, human ambition, and the will to survive and thrive. Examples abound.

Now to the question: why is this theme so pervasive in popular culture today? The reason has to do with the signs of our times. Humanity has learned to clothe, feed, and house itself. Prosperity of the sort we know today has never in history been more pervasive. We've learned to control plagues, infestations, and crop failure. We've even learned how to deal with natural disaster better than any previous generation. As a result, in the developed world, today's poor live better than the rich of a century or even a half-century before. So where is the drama?

Where do we find the difficulties and challenges in today's world?

The answer is obvious from the themes. The problem is government. Government is in a sense artificial, something built by people with power; it is unnecessary but somehow larger and more intrusive than ever. A free market has no such legal restrictions. There are challenges and difficulties but they are not distorted and encumbered by force of law. Their tendency is toward ever more opportunity and elimination of distortions.

Government, in contrast, imposes systems, and these systems have the effect of limiting human choice and the formation of normal lives and institutions. This is obviously the problem in the United States today. Dealing with bureaucracies, politics, absurd rules, and gigantic, convoluted legislation is something that affects every business and every family. Our choices are limited by that labyrinth of control. This state of affairs disproportionately affects young people.

But do we give up? No, we work to overcome. We learn to deal with the realities and somehow find our way to a better life regardless of the barriers and restrictions. This reality is ever more dawning on people today, simply because the coercive apparatus of the state is creeping deeper into people's daily lives, and that reality is becoming more obvious. Individuals will not be defeated, no matter how extreme the constraints.

To be sure, other societies have dealt with such problems. Nineteenth- and twentieth-century Russian literature featured this theme. And so it was with the popular ideological convictions in Eastern Europe after the Second World War. A Polish woman who lived through communism recently told me that in her day, everyone knew who the enemy was. The enemy was government. There was no doubt about it. As she put it, as bad as the system was, there was widespread clarity on both the problem and the solution. Everyone knew that surviving and getting by meant breaking the law.

Are we getting to that point under modern democracy today? Absolutely. But the realization has been slow to dawn. The themes and popularity of these shows are a sign of hope that this consciousness is beginning to spread. The major barriers to social advancement today are the systems of government human beings created. They have attempted to regiment us and take away our freedom of action. As pop culture is demonstrating for us, this must not be allowed to happen. Above all else, it must not be allowed to succeed, for the success of external control means the failure of the human spirit.

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49 Fifty Shades of Government

On a flight the other day, I noticed that a third of the passengers were reading a certain best-selling book. It got me thinking.

Every politically active group wants something from government, and government is happy to oblige. It's even more obvious in the election season, and it's only going to get worse as we approach November.

Another way to put it: Government has lots to give in the way of laws, loot, privileges, protections, and punishments. Every pressure group and political party has an idea about how its power over us needs to be used.

Does it make any difference who gets the loot, really? Not really, not to you and me. Whether you are taxed to make bike paths in Palo Alto or to fund reconnaissance missions in Kabul, you are still denied use of your money so that politicians and bureaucrats can realize their dreams. Whether the regulations say that you can't work for less than ten dollars per hour or that you can't buy raw milk at any price, your freedom to make contracts is still being compromised.

We can and will argue interminably about how government ought to be used. Should government prevent gay people from contracting unions or stop private companies from discriminating against people who choose gay unions? Either way, the state is being brought in to tell people what they can and can't do. In this sense, the Left and the Right have more in common than either side cares to admit: Both have a plan for how the state can better manage the social order.

Should tobacco be banned or bailed out? Should banks be made too big to fail or badgered with regulatory restrictions so they can't do real business? Should corporations be protected and subsidized, or should they be taxed within an inch of their lives? Should fatty foods be mandated as part of a national diet or kept off the menu as a health hazard?

These are the great debates of our time. But these are actually not fundamental debates at all. Either way, the only real winner here is government, its agents, its public spokesmen, its powers, and its place in our lives and the culture. This is what remains unquestioned.

Should seniors be able to rob young people of their earnings in order to enjoy a luxurious retirement, or should seniors be especially taxed and punished for using more than their fair share of society's healthcare resources? Whichever way that debate ends up, liberty itself suffers, and the property rights of everybody are less secure.

Should religious people be able to control what we watch, read, and smoke, or should secular people be able to impose laws that keep religious people from having too much influence over our culture? Either way, government is being granted more control over the social order than it should have.

This is the great tragedy of living under leviathan. People have different ideas about how it ought to conduct its affairs. Who should be rewarded? Who should be punished? Who gets the privileges? Who must bear the cost? It becomes a war of pressure groups, everyone seeking to live at the expense of everyone else.

What is this thing we call government? It consists of the gang with an institutional structure that makes the rules, enforces the rules, and lives by rules that are different from those it imposes on the rest of the population. We can't steal, but government can. We can't kill, but government can. We can't counterfeit, kidnap, and engage in fraud, but government can. This thing called government, obviously, has a strong interest in maintaining its power, prestige, and funding.

This is true no matter what the structure of the government happens to be. Oligarchy, absolute monarchy, constitutional monarchy, presidential republic, parliamentary republic, democracy—all of them have one thing in common: They create a special caste of citizens that live at the expense of everyone else.

In a democracy especially, government enlists us all in its cause. So long as people are arguing about how to use the government, and not whether it should be used to achieve social and economic goals at all, the government comes out the winner. All the pressure groups are really just rewarding the political class, transferring power and money from us to them. Precisely what the excuse is—and it changes all the time, sometimes subtly and sometimes dramatically—doesn't matter to government.

Government is a chameleon, pleased to wear any cultural or ideological cloak to blend in with its social and cultural surroundings. In a wrangling, struggling, grasping, dog-eat-dog democracy like ours, there are fifty shades of government, each suitable for a particular time and place, each adapted to purposes of the moment, all with the interest of firming up control by the ruling class.

This is what the “political spectrum” is all about. Government dominates and we submit. It puts us in bondage and we obey its discipline. There’s also got to be a good excuse or else we would never put up with this. We have to believe that the government is, in some way, at some level, doing something that pleases us. Maybe even the government is us!

People say that in the “age of faith” of the Middle Ages, religious differences led to wars. Historians who have looked carefully have noticed something different. Governments that want wars are happy to use religion as the excuse.

And so it is today. In the “age of science,” we get scientific social planning in which experts are supposed to tell the people with their hands on the controls how to use them. But whether the excuse is religion or science, security or the environment, nationalism or internationalism, it doesn’t matter to the rest of us. The rights and liberties of the people paying the bill are forever being sacrificed to someone else’s political agenda.

So come November, we will drag ourselves to the voting booth and look at the names and try to remember what these various people promise to do for us and to us if we ratify their right to rule. Having done so, we are told that we’ve made our choice and now we must live with it.

But maybe it is not really a choice at all. Maybe it is time to let go of our dependency and reject the entire master-slave relationship that is the whole basis of the system itself. *Fifty Shades of Government* has been the bestseller for hundreds of years. It’s time that the governed write an entirely new book.

50 How Regulation Stifles Spontaneous Order and Play

The Bobcat tractor was working its way through a pile of mulch as big as an office building, dragging it from the alley to the playground of a private daycare facility. I asked the crew foreman about the sheer vastness of this mulch pile.

“It’s about the state regulations. There has to be eight inches of this stuff underneath every play structure.”

“The state regulates even things like this?” I asked.

“The regulations on playgrounds are fifteen miles long,” he said. “They mandate every fastener and bolt, the distance and height of every structure, and, especially, the drainage. Just getting the drainage right takes up most of the time and money.”

“But don’t these regulations inhibit others from opening daycare facilities?” I asked. “You would have to be super well capitalized just to get one going.”

“I can tell you this. I would never do it.”

Hmm. Maybe stifling regulations partially account for the shortage of childcare facilities, the high prices of tuition to put your child in them, and the constant political pressure for the government to provide more preschool solutions for parents.

But where do these regulations come from? Of course the safety Nazis have never met a regulation they didn’t like, but I’m willing to bet they weren’t responsible for a regulatory panoply that extends way beyond safety concerns. The real origin of these regulations stems from the largest providers, who have every incentive to lock out new entrants and make sure every project they land is pricey.

The higher the barriers to entry, the easier life is for the established firms.

The whole scene confirmed all my worst fears. There should be something sacrosanct about the playground. It should be off limits to regimentation and central dictate. And yet the simplified federal manual about every aspect of the playground is sixty pages long, every paragraph presuming that without

such guidelines the rest of us would be completely clueless and uncaring about the well-being of children.

Just think about it. Before the first guidelines were issued in 1981, playgrounds for the whole of human history existed in a state of terrifying anarchy. Since then, the federal government has been all over this sector of life. Each state has its own regulations, so they differ across state lines. In Alabama, wood chips are considered fine, but next door in Georgia, chips have to be made of rubber, so that they heat up like burning hot coals in the summer and ruin the playground experience for everyone.

Then, of course, there is the overriding hysteria over safety. A child has to be able to fling himself off the highest point straight to the ground and land as if on a giant bed of marshmallows. Here is a question you're not supposed to ask: If there is no real danger, how can kids really learn about safety? Do we really want kids to come to believe that there is no way you can ever hurt yourself, no matter what you do?

And there's another complicating factor we aren't supposed to think about: The safer the environment, the more reckless we are encouraged to be. Drive by any playground that offers those huge tubular structures over old-fashioned slides and monkey bars. What do you see? Kids are dangerously perched atop the tubes, creating their own derring-do tricks so long as they are allowed to get away with it.

There's another cost to all these regulations. They codify and ossify the playground, preventing innovation outside the rules. What kinds of play structures might exist if the regulations didn't codify all existing reality? We'll never know. Law, legislation, and regulations freeze creativity and innovation. They override entrepreneurship and discovery. They presume that the government has all the answers and there is nothing more to learn or try.

In a digital age in which most of us carry around a magic question-and-answer box in our pocket, consumer ratings of everything are inescapable, and innovation in things we use every day is a feature we've come to expect, such laws and regulations really amount to a ridiculous anachronism. How can far-distant bureaucrats know better than producers, owners, parents, insurers, and kids what achieves the right balance between fun and safety on the playground? That is really something the market should be left to discover.

What does a good playground have? Rules? Absolutely. But within those rules, there is freedom and choice about almost everything else. That's why the playground is a child's delight.

In fact, have you thought of the kids' playground as a metaphor and preparation for life itself? In the absence of the application of human energy, the structures sit there motionless, lifeless, and static. What makes them fun is the application of human action inspired by the creative imagination. When that element is added, the imagination takes over and you come to play in a world of your own making. The fun you have is human built, and it stems from the beautiful combination of the limitlessness of fantasy and the bounds of physical reality that are impossible to ignore.

Everyone knows that playgrounds are not fun if you are the only one there. A person sitting alone at a playground is a sad sight indeed, a scene you see in movies when a person is sulky or suicidal. No, the point of the playground is the teeming activity of many individuals that somehow emerges into a micro social order without direction from above. You play with others, each child contributing to the joy of every other child. You learn from others. You are inspired by others. You cooperate with others. And you compete with others.

Those who can't do these things peacefully end up being shunned and lonely and are inspired to improve the next day. Those who do this well grow more popular and successful and are looked upon as leaders and emulated. And so evolves the social structure of the playground.

I'm guessing that you remember some playground experiences from your early years with greater poignancy than classroom time from those same years. Maybe they are bad memories from public school, where there were no owners to work toward the maximum value for everyone. But in a good private playground, with clear rules and maximum choice within the rules, you have an early experience of freedom itself.

On the playground, we were free. We made stuff up. We made our own decisions. We could excel in what we were great at and eschew what we were bad at. It's the venue in which we really learned about ourselves and discovered the radical heterogeneity of the human population. It's where we made and kept friends and discovered how to have disagreements that didn't result in violence.

It really is preparation for real life in a free society. Consider the greatest innovations of our time. The smartphone, the world of computer games, the app economy, and even such technologies as oil fracking all result in the impulse to play and the trial-and-error process that is an inherent part of mixing imagination with the physical world. The bailouts, the welfare, the debt that government creates all stand in stark contrast, a huge pile of mulch under us that purports to cushion our fall but really only ends up robbing us of the sweet adventure of life itself.

Rules, yes, but local ones, private ones, adaptable ones. The new playground environment of centralized rules, public ownership, imposed safety, and regimentation abolishes all play. And in this, it too serves as a metaphor for life under all-around state control.

51 The Skill Set of the Young and Smart

The unemployment rate for nineteen- to twenty-four-year-olds hasn't moved much since 2008, and the reality of the tight job market hasn't fully dawned on the young people I've spoken with about this. They know that odds are against them and that it takes extra effort to make a go of it following college graduation. They are also aware that this represents a dramatic change from every decade since the end of World War II.

I recall that no one in my college graduating class worried about jobs. They wondered if they were choosing the right profession, whether more degrees were necessary, whether it would be good to move near or far, and that sort of thing. But the notion that we would suddenly find ourselves unemployed for a long time, or even longer than a week, never occurred to us.

Back in the day, young people would graduate college and go on long trips to Europe, follow the Grateful Dead, hang out in the college town for a year with their buddies, or casually do odd jobs until the time seemed right to get serious. We had marketable skills and we knew it. We were the sellers of services and the market was buying. The "land of opportunity" still thrived.

No more.

I've observed two general reactions to this among young people. Some let the problem sneak up on them and melt into despair when things don't go their way. These people have a sense that they did everything right: good schools, decent grades, graduating on time. They sent out hundreds of résumés but got back nothing in return. Now they are living with Mom and Dad, saddled with a terrible debt they can't pay, and increasingly bitter at the world and contemplating the indignity of a minimum-wage job.

These people followed the rules but the rules betrayed them. Now they blame everyone else. They blame the system, and they are right that the system is rotten. They blame their counselors, and it's true that older people have been blindsided by this too. They blame the 1 percent, and there is no question that the system is rigged in favor of the well connected. I completely understand this attitude but there is a problem: it doesn't actually accomplish

anything. Anger, excuses, and protest get no one any closer toward actually fixing the problem.

What intrigues me more are the students who are refusing to let the problem defeat them. They have seen three classes of graduates leave the college cocoon and face the cruel world, and they have seen who succeeds and who fails. Among this group, you will find not panic or worry but a strange calm and confidence that they will be among the minority who will find a good-paying position in their field of choice. Having talked to many of these people over the last year, I've discerned the common character traits and skill sets they focus on.

Hard Work. All the students who have confidence about overcoming the odds are extremely busy for school, work, or professional preparations. I've met engineering majors (talk about time consuming) who are also cross-country runners who train three hours per day, every day. I've also met students who are prelaw who work for very low pay at law firms, just as a way of getting experience. Even students who are music majors accept every gig they can.

They take internships when available. They work odd jobs. They rise early and get to bed on time. They don't take off summers, and the weekends are full of tasks.

These students are preparing themselves for a life of very hard work. They don't party. They watch what they drink. They avoid personal relationships that threaten to distract and bog them down. They are not members of social fraternities and sororities. Social life is way down the list of priorities. Their top priorities are school, grades, work, and making and saving as much money as they can.

All of this matters for the future. The biggest annoyance that employers have is being saddled with a new employee who knows not the meaning of work. Some kids have been through four years of partying and sloth. They long for this to continue . . . with pay. This is more obvious from a résumé than one might think. On the other hand, a student who has references from a wide number of established people who can speak with confidence about a prospective employee's work ethic overcomes this fear, and has a much better chance going forward.

Technical Skills. At the dawn of the digital age, I looked forward to a time when all young people knew programming skills, could fix their own computers, and had vast literacy in navigating the new world of technology.

Wow, what a disappointment! It's astonishing how widespread computer ignorance is today. And it seems to be getting worse.

What I had not anticipated is that the easier that devices would become, the fewer skills people feel that they need to acquire. It is not uncommon that young students today are only good at updating their Facebook accounts. And the following fact still astonishes me: many students today can't even type.

This is absolutely absurd. Learning to type has never been easier. You can go to TypingPal.com or any number of services and learn in the course of ten days to two weeks. It should be rather obvious that a job candidate who is one-finger pecking is going to fall to the bottom of the list.

But it takes more than typing skill. Database management, photo editing, video making, website management, basic code—all of these are important. A candidate who can speak Geek is in a much better position than one who cannot, even if the job in question doesn't seemingly involve computer skills. Young people who can't navigate essential software with some competence are essentially advertising their lack of drive and their unwillingness to add value to the great enterprise of the digital age.

Low Debt. True, it is no longer possible to work your way through school, and this is tragic. Unless the parents have a substantial income or savings, there is a good chance that a student today will have to take out a loan. But minimizing that is essential. Smart students understand this. The more debt you have when you leave college, the fewer choices you have when you leave. You want to be in a position to accept relatively low pay and work your way up, without having your finances crushed by debt obligations.

The horror stories here are legion, and the alert students know them all. This is why they look for every scholarship opportunity, every work/study program, every chance to make a few bucks. Also important: spending as little money as possible. Social spending is the great bane of a student's existence. Decline to go partying if it means being stuck with a big and pointless bill at the end of the evening. There are ways to date that do not involve breaking the bank. Doing without a car pays returns later. It all comes down to frugality. This is an essential financial skill that can and should be cultivated in college. It will be needed all throughout life.

Network Building. As regards Facebook and Twitter, let's just say that many students in the past have made mistakes. Smart kids know this. They learned to use social tools wisely. They watch their privacy settings. If there is any image that shows drinking or partying in a crazy place, it is untagged. All status updates must be intelligent. And they should be relatively few

on Facebook. It can even be advantageous to make your name unsearchable, though that alone can raise suspicions among future employers.

A tool that smart students have started using that most students do not is LinkedIn. This is the professional network, and here you can start forming contacts in your field and generally cultivating a professional online personality. This requires careful thought and some elbow grease but any applicant with an impressive profile and a large network immediately becomes more attractive to the job market.

These tools are there to help people navigate the tight labor market. It is never too early to start doing what is necessary to build up a well-thought-out digital profile and presence. These tools can be your best friend or your worst enemy, depending on how you use them. But they should be used. An applicant who is invisible in the digital realm might be suitable for a position in the national-security apparatus but this is increasingly strange in a commercial world.

Practicality. I love liberal arts and the cultivation of broad and highly educated minds as much as anyone. But the smart set of students understands that this alone will not cut it in the marketplace today. Practical skills cannot be neglected, whether they are in accounting or engineering, and math and science generally. The last generation that could get by in life without having actual technical skill in practical areas of life graduated two decades ago.

To be sure, some people are called to a serious vocation as a professor in literature, philosophy, and the arts, and that's fantastic. But these are pretty much the only people who can completely neglect hard sciences and practical skills in life. The smart set understands that the liberal arts are essential to have a broad view of the world, but that these alone are not enough to make a go of it in today's world.

As much as we talk about the trials of young people today, we all know that some will make it through and thrive in the future. This is true even in the hardest of times. And for graduating students today, these are indeed the hardest of times. To be sure, the lack of opportunities today is not the fault of its victims; it is the fault of terrible public policy that has raised the cost of hire, distorted economic structures, and punished entrepreneurship. Because there is little chance of this changing anytime soon, it pays to get on the right side of history and start preparing for the tough road ahead, so that you can face it with confidence.

52 Dumb Ways (for an Economy) to Die

A viral video from Australia, complete with a clever song and dance step, describes the many dumb things people do that threaten and extinguish their lives. “Dumb Ways to Die” includes warnings against selling both your kidneys on the Internet, getting toast out of the toaster with a fork, eating a two-week-old unrefrigerated pie, and so on.

In a similar way, there are many dumb ways to kill an economy. Over the last five years, the federal government seems to have set the record for attempting as many as possible in record time. Then we look at growth rates and wonder why they are so anemic, why our kids can’t get jobs, why sector after sector seems to be crumbling, and why so many people are looking abroad for opportunity.

Stimulate Failing Sectors. The crash of 2008 exposed gigantic investment errors goaded on by previous bad Fed policy. The market tried so hard to make things right. But the Fed, the Treasury, and every living government official fought the entire way, with TARP, QE, ZIRP, Operation Twist, bankruptcy protections, debt creation, and many trillions of dollars in squandered wealth. And for what? To save the housing, banking, and financial sectors from the consequences of their errors. But the errors haven’t gone away. The sectors haven’t been stimulated. The net effect has been to ratchet down wealth creation, and so it will be until the stimulators stop diverting wealth and start facing up to reality.

Protect against Imports and Exports. “Economic patriotism” is one of the most dangerous phrases in the English language. It means using the taxes called tariffs and quotas to prop up economically inefficient industries in our borders and failing to allow consumers to get the best deal whenever they can find it. Obama brags: “We’ve brought twice as many cases against unfair trading practices than the previous administration and we’ve won every single one that’s been decided.” The archetypal case concerns China. You are paying more for lower-quality tires due to this intervention, at an estimated cost to consumers of \$1.1 billion. The goal of energy independence is a bad

one because it diverts production from efficient to inefficient technologies. Protectionism (and we have it for thousands of goods such as sugar, cheese, and ball bearings) is for losers. The belligerence against China is harmful. The sanctions against Iran and a dozen other countries are stupid. The US economy needs to embrace the global economy, or else it will die alone.

Regulate Everything. In the name of health, safety, the environment, and intellectual-property enforcement, nothing that exists has been left outside regulatory management. Each day, an average of sixty-eight new regulations appear, giving bureaucrats the opportunity for endless meddling and harassment, and shutting down entrepreneurial ideas. Every machine in your home has been forcibly degraded, from your toilets to your washing machines to your soap. We can't kill bugs in or out of our homes. Lawn equipment is wonky now, thanks to the regulatory tsunami. IP enforcement through patents and copyrights has slowed the pace of development of media, software, and industrial machinery. Enterprise lives in a cage and still somehow manages to stay alive. But what are we missing as a result? That's the great unknown.

Kill Cars and the Gas That Runs Them. American cars used to be cool, even amazing. Now the new cars all look alike, like in the old East Germany. The central plan has done this through "Corporate Average Fuel Economy" standards that have forced cars to take a certain shape unless they can be redefined as light trucks. Then there are the extremely weird regulations on pedestrian impact. As a result, the vehicles on the road look boxy and boring or seem big enough to transport the high school band. This is why the only good-looking cars in the new models are hybrids: only the mix of electricity and gas gets around the regs. And speaking of gasoline, 40 percent of America's corn crop is burned up in our tanks (thanks to ethanol regs since 2008), and then it leaves residue that degrades engine quality. And we wonder why the American car industry is being creamed.

Save the Banks. Few remember that then-Treasury secretary Hank Paulson's first plan as the financial system melted down was to have the Treasury buy seven hundred billion dollars in bad assets from the banks. That would not have been enough. Banking is a leveraged business. What the system really needed was capital injections. Thus, the birth of TARP and so many other programs. It was all designed so that we could go to our ATM machines and have money come out. The problem is that the whole system is unsound. If the banks had been allowed to fail, a banking system would reemerge that is sounder and less likely to create the booms and busts that continuously

rock the US economy. Instead, the banks live on, getting bigger and more unstable all the time. The latest estimates guess that TARP will cost taxpayers sixty-five billion dollars. That's nothing compared with the coming costs of sustaining this dinosaur industry that is so easily replaceable in the digital age.

Raise the Minimum Wage. It's tough enough for young people and unskilled workers to find gainful employment. Legislators have made it impossible for some by pricing this labor out of the market. Gas stations used to have attendants, typically young men. They would pump your gas, check your oil, and fill your tires. With labor-price control, technology had to replace labor (except in attendant-mandatory states like New Jersey). Grocery stores are going the same way. The unemployment rate for workers under twenty-five years old is 16 percent, more than double the overall rate. It's no wonder the minimum wage has been hiked three times since 2006 by a whopping 41 percent. On top of the federal requirements, some states like Nevada and California have higher rates. Indexed to inflation, the minimum wage is fifty cents higher in Nevada, and in San Francisco, the minimum jumped to \$10.55 on New Year's Day. Youth unemployment in California has grown 35 percent since 2000. Unemployment among young people in Nevada is 27 percent. The young should blame their rulers for this calamity.

Soak the Rich. The war on the rich is completely out of hand, so much so that no one dares state what everyone once knew: The rich are our benefactors. They give most of the donations to philanthropy. They start the new businesses. They provide the capital. They most often have the good ideas. Their consumption habits provide a testing ground for innovations before they reach the rest of us. Yes, there are some sectors of the rich who become that way at others' expense, but that is still the exception, rather than the rule. But don't the rich need to be looted to pay for the debt Congress has run up? Doing so would fund the government for about ten seconds. No, the real driving motivation behind the campaign against the rich is plain old envy. Envy is a bad habit of heart, one that will kill prosperity dead if it is unleashed in public policy.

Start a War. It was bad enough that the Bush-era wars have been sustained, maintained, and even entrenched in the Obama era. The war hawks seem to be on the lookout for other countries that the US military can muscle and invade, with Iran topping the list. The US military is outrageously bloated. The United States spends 800 percent more than Russia, the next-highest spender on the planet. The military budget is fifteen times that of

Japan, forty-seven times that of Israel, and seventy-three times that of Iran, according to many reports. It has doubled over the last ten years. To maintain that kind of bloat, you have to whip up the population in periodic frenzies about witches abroad that need to be burned. From an economic point of view, this is catastrophic, throwing good money after bad and killing people in the process. Yes there are winners: the military-industrial complex. But the profitability of DynCorp, ManTech, Textron, Honeywell, and Northrop Grumman is not authentically based on consumer demand; these companies are private in name only.

Confiscate Private Property. The war on drugs has turned into a war on private property and private citizens. In most states, if you are stopped by law enforcement, your car may be searched, and any item suspected to be involved in the drug trade may be confiscated. Cash is the primary item local law-enforcement agencies are looking for. Carrying a large amount of cash in your car, instead of having it in the bank is thought to be suspicious. These asset seizures are all an attempt to pay for the prison-industrial state that has nearly 2.5 million people behind bars. It's impossible for taxes to foot the bill for all this policing. Now cops on the beat have turned into pirates seeking booty on the streets. Investigating murders and rapes doesn't pay the bills anymore. And stopping the inflow of drugs is the last thing on their minds. They just want the money.

Socialize Healthcare. There is nothing more dastardly than ruining the ability of people to get medical care. It is a life-and-death matter. To destroy the market mechanism of property and prices is to destroy economic rationality, with the result being poverty, chaos, sickness, and death. Ludwig von Mises wrote in 1922 that to socialize healthcare was the equivalent of placing this vital service in the hands of the army or prisons, centers of disease and disaster, not health and well being. Americans complain about healthcare in this country and agitate for socialized care, when, in fact, 29 percent of American adults get their healthcare from Uncle Sam. Three-quarters of those over sixty-five years old depend on the government for medical care. Medical care is a scarce good. It must either be allocated by force or voluntarily at a cost of either time, money, or both. The price system in healthcare has been destroyed by government force, making healthcare unobtainable for millions.

Kick Out the Immigrants. Immigrants have been demonized for decades. The Irish used to be lazy drunks. Now it's Latinos. A strange brew of political bedfellows—the nativist Right and environmentalist Left—seek to shut

the borders. But the facts prove that immigrants make us much better off. Immigrants are more likely to save and start businesses. They don't steal jobs from Americans; they create new jobs and do work natives don't want to do. The beauty of (especially) illegal immigrants is that they respond to the business cycle by arriving when work needs to be done and being flexible enough to go where the jobs are. In my own home state, the immigrants are sustaining much of the economy. By the way, the cost to keep immigrants out is billions of dollars and doesn't begin to pay the supposed costs that immigrants impose.

Abolish Interest Rates. Since 2008, the Fed has decided to go after natural law itself by using its power to impose a policy of zero interest rates. Problem: you can't earn money by saving anymore. That's seriously awful, since saving is the basis of investment and growth. Another problem: banks can't earn money by normal lending anymore. That's just extremely strange. Banks, instead, are learning to live on the income stream that comes from keeping their deposits at the Fed, playing the derivatives market, and selling inflated debt securities. This is one step short of nationalization, but it is far from normal banking. Then there are the private sector lending institutions that are completely ignoring the yield curve and getting normal market returns. But this private sector is seriously hindered by regulations and the money monopoly. The result: a broken banking system that has no conventional way to fix itself.

Look at this list of dumb ways to kill an economy. It is a stunning tribute to the private sector and the power of enterprise that we manage to grow and are still somewhat prosperous, regardless of this relentless beating.

And we wonder what's happened. We wonder why capital is fleeing, why people are leaving, why wealth is not being created, why growth is anemic. This is not a reality built into some kind of civilizational way or some inexplicable great stagnation. It is all a direct result of a conscious decision to wreck the machinery of freedom. It's dumb.

53 Advice to Young, Unemployed Workers

We are now in the fifth year of very choppy hiring markets for young workers. The latest unemployment numbers once again leave them out from posted gains. Not even the boom in temporary employment included them.

The United States has one of the highest rates of unemployment among twenty- to twenty-six-year-olds in the world. Nearly half of the US army of unemployed is under the age of thirty-four. As for those who are hired, there is a huge gap between wage expectations and paycheck realities, which is exactly what you would expect in a postboom world. A survey by Accenture finds that more than 41 percent of recent US college graduates are disillusioned, underemployed, and not using their college degrees in their work.

The young generation faces challenges unlike any that most people alive have seen. This situation requires new adaptive strategies.

What follows, then, is my letter of advice to young workers.

• • •

Dear Young Workers:

Even if it weren't for the economic stagnation, you would already be facing a tough market. That's because you are showing up at the job marketplace nearly empty-handed. Our society long ago decided it was better for you to sit in desks for sixteen years than to gain any real work experience in the marketplace that is likely to get you hired later.

Even if it were legal for you to work when you are capable of doing so—from the age of maybe twelve or thirteen—the government has imposed these wage-floor laws that price your services out of the market. Then you are told that if you stay in school, you will get a great, high-paying job right out of college. Then it turns out that employers aren't interested in you. You are beginning to sense that employers think you have few marketable skills and have no demonstrated predisposition to produce.

Here's the root of the problem: People have been lying to you all your life.

As a young child you were repeatedly fed slogans about the equality of everyone. The urges to compete and win were suppressed in your childhood games, while sharing and caring for others were exalted above all other values.

Then at some point—somewhere between the ages of seven and ten—something changed. All that caring/sharing stuff ended and a world of dog-eat-dog began. You were expected to get perfect grades, to excel at math and science, to be perfectly obedient, to stay in school for as long as possible. You were told that if you did that, everything would work out for you.

It does work out for some. But only a small minority of people are disposed to both compliance and rote learning. And even for those people, not everyone gets what he's been promised. As for the rest, there is no plan in place. Those who fall through the cracks are expected to make it on their own somehow.

How do you make it? It all comes down to remunerative work. And there's the barrier you face right now. You have the desire and you are looking for some institution that values what you have to contribute. But you can't find the match.

Consider: why does any business hire an employee? It happens based on the belief that the business will make more money with the employee than without it. The business pays you, you do work, and, as a result, there are greater returns coming in than there would otherwise be.

But think through what this means. It means you have to add more value than you take out. For every dollar you earn, you have to make it possible for the business to earn a dollar plus something extra. This task is not easy. Businesses have costs to cover in addition to your salary. For example, government mandates that businesses be insured. You have to be trained. There could be healthcare costs, too. There are uncertainties to deal with. All of these add to the burden that you place on the business, which adds to the costs of hiring you.

What this means is you have to be more valuable than you think. Why are minimum-wage jobs so hard? Because it's difficult for an inexperienced worker to be worth paying that much. The employer has to extract as much value as possible from the relationship with you just to make that relationship happen at all. That can't happen right away because odds are you are losing the company money in the first months of employment simply because you are untrained. You end up scrambling like crazy just to earn your keep.

If you already understand this rule—that you must add more value than you take out—you now know more than vast numbers of young workers. And this gives you an advantage. While everyone else is grumbling about the

workload and low pay, you can know why you are having to hustle so much and be happier for it. You are producing more for the company than you take out. Doing that consistently is the way to get ahead. In fact, it's the key to life.

But in order to get ahead, you have to be a player in the first place. It does little good to sit around and wait for the right job at the right pay. Forget all your expectations. If something, anything, comes along, you should jump on it immediately. No job is too menial, despite what you have been told. The goal is just to get in the game. Yes, you have much higher salary expectations, and those might be met someday. But not yet.

The first step is to get into the game at some wage, just something, somewhere. The fear that such work, whatever it is, is somehow beneath you is a serious source of personal undoing. Those who are willing to perform the most “menial” of jobs are the people who can make a good life for themselves. Just because you perceive the job as “menial” does not mean it is not valuable to others and especially, ultimately, to you.

You learn from every job you have. You learn how to interact with others, how a business runs, how people think, how bosses think, and how those who succeed get ahead versus those who fail. Working is a time for learning, as much as or more than school.

People's number-one fear is that their job will somehow define their lives. Hence, they conclude that a job stocking shelves at Walmart will redefine or dumb down who they are. This notion is absolutely untrue. That job is a brick in your foundation.

In order to get any job, you have to do more than drop off a résumé or file one online. You have to emerge from the pack. That means that you have to sell yourself like a commodity. You have to market yourself (and marketing is the least-appreciated and yet most-crucial feature of all commercial acts). That is not degrading; it is an opportunity. Find out everything you can about the company and its products. After you apply, you need to go back and back, meet the managers, meet the owners, all with the goal of showing them how much value you will add to their enterprise.

In this new job, success is not hard, but it requires discipline. Just follow a few simple rules. Never be late. Do first whatever your immediate supervisor tells you to do. Do it much more quickly and thoroughly than he or she expects. When that is done, do some unexpected things that add value to the environment. Never complain. Never gossip. Never partake in office politics. Be a model employee. That's the path toward thriving.

It's not just about adding value to the company. It's about adding value to yourself. The digital age has given us all amazing tools for accumulating

personal capital. Get a LinkedIn account and attach your job to your personal identity. Start putting together that essential network. This network is something that will grow throughout your life, starting now and lasting until the end. It could be the most valuable commodity you have outside your own character and skills. Take possession of your work experience and make it your own.

While doing all this excellent work, you need to be thinking about two possible paths forward, each of them equally viable: advance within this one firm or move to another firm. You should go with whichever is to your best advantage. Never stop looking for your next job. This is true now and always, throughout your life.

A huge mistake people make is to embed themselves emotionally in one institution. The law encourages this attitude by tying all sorts of advantages to the status quo job you currently hold. You get health benefits, time off, scheduled raises, and it is always easier to stick with what you know. To do so is a mistake. Progress comes through disruption, and sometimes you have to disrupt yourself to make that progress happen.

To be willing to forego the security of one job for the uncertainty of another gives you an edge. Average people around you will sacrifice every principle and every truth for the sake of security. People, with very few exceptions, fear the uncertainty of an unknown future more than the seeming security of a known status quo. They will give up every right and every bit of their souls for the promise of security (whether it be through a paycheck or an armed police officer), even to the point of personal misery or obeying a wicked despot (whether it be a boss or a dictator). You can break free of this tendency, but it takes courage, risk-taking, and a conscious act of defying convention.

You should always think of yourself as a productive unit that is always on the job market. You can go from institution to institution, always upgrading your skills and hence your wages. Never be afraid to try something new or to plunge into a new work environment.

Clever finance management here is crucial. Never live at the level that matches your income. Your standard of living, instead, should match your next-best employment opportunity, the one you have forgone or the one you might take next. If you stick with this practice—and it requires discipline—you will be free to choose where you work and to take greater risks. You will also develop a cushion should something go wrong.

At the same time, there could be advantages to sticking around one place, even as everyone else around you is moving from here to there. Even if that happens, you should still think of yourself as being on the market.

You are governing yourself. Don't let yourself be beholden to anyone, but understand also that no one owes you a living. That's the only way to make clear judgments about your career path.

At every job, you are going to learn so much about human ethics, psychology, emotions, and behavior. Most of what you will learn will be enlightening and encouraging. Some of it, however, is not pretty and might come as a shock.

First, you will discover that people in general are extremely reluctant to admit error. People will defend an opinion or an action until the end, even if every bit of logic and evidence runs contrary. Sincere apologies and genuine admissions of error and wrongdoing are the rarest things in this world. There is no point at all in demanding apologies or in becoming resentful when they fail to appear. Just move on. Neither should you expect to always be rewarded for being right. On the contrary, people will often resent you and try to take you down.

How do you deal with this problem? Don't get frustrated. Don't seek justice. Accept the reality for what it is. If a job isn't working out, move on. If you get fired, don't seek vengeance. Anger and resentment accomplish absolutely nothing. Keep your eye on the goal of personal and professional advancement, and think of anything that interrupts your path as a diversion and a distraction.

Second, we all want to believe that doing a great job and becoming excellent at something will lead to personal reward. This is not always or even often true. Excellence makes you a target of envy from those around you who have failed by comparison. Excellence can often harm your prospects for success. Meritocracy exists, and even prevails, but it is realized through your own initiative, and it is never just granted freely by some individual or institution. All personal and social progress comes about because you alone push through the attempts of everyone around you to stop it.

Third, people tend to possess a status quo bias and prefer to follow orders and instructions; most people cannot imagine how the world around them might be different through initiative and change. If you can train yourself to imagine a world that doesn't yet exist—to exercise the use of imagination and creativity in a commercial framework—you can become the most valuable person around. You might be among those who can be real entrepreneurs. You might even change the world.

As you develop and use these talents, and as they become ever more valuable to those around you, remember that you are not infallible. The commercial marketplace punishes pride and arrogance and it rewards humility

and the teachable spirit. Be happy for your successes, but never stop learning. There is always more to know because the world is ever changing, and none of us can know all things. The key to thriving in this life is to be prepared to not only change with it but to get in front of the change and drive it.

From where you are now, unemployed with few seeming prospects, your future might look hopeless. This perception is not true. There are barriers, to be sure, but they are there to be overcome by you and you alone. The world does not work like you were told it works when you were a kid. Deal with it and start engaging the reality around you right now just as it is, using intelligence, cunning, and charm. You are the decision-maker, and whether you succeed or fail ultimately depends on the decisions you make.

In many ways, you are a victim of a system that has conspired against you. But you get nowhere by acting like a victim. You don't need to be a victim. You have free will and the capacity for self-governance; indeed, you possess the human right to choose. Today is the day to start exercising it.

54 Is There a Viable Alternative to College?

During a recent conference, a man around fifty pulled me over to the side. He said he had a serious question to ask me about his daughter's education. I said, "of course," but I already suspected what the question was, because I've been asked it a hundred times.

"I'm preparing to spend some hundred-thousand-plus dollars on my daughter's college education, and that's despite loans and scholarships. It's a major financial strain. I want her to succeed, but my fear is that the cost is not worth it. What do you think?"

It's not so easy just to say yes. Or to say no. When it is your kid's life, this decision could be epic, and the results of your choice could echo in this world long after you are gone. This is why parents start feeling terrible anxiety over college from the time their child enters high school. The scramble for scholarships, the pressure on standardized tests, the push for a maniacal academic focus—it all defines the teen years. This angst ends up causing terrible family tensions and seems to punish kids for just wanting to be kids.

And even if the teen does everything right—every test trained for and taken five times, every activity listed on the portfolio, a high GPA, top of the class, early applications and admissions—you are not home free. You are going to spend six figures, but there is also a high opportunity cost: you remove your child from remunerative work for four years, and this is after four years of no employment in high school. That means both lost income and lost job experience. College is costly in every way.

Meanwhile, the job market is tight in ways that previous generations have never known. Fear of new healthcare mandates makes companies reluctant to take a risk on full timers. The Association of Graduate Recruiters reports that jobs available for new graduates will fall by 4 percent again this year, with eighty-five applicants for every one job available. Government has been cracking down on internships and they are very hard to come by.

A chilling survey from Reuters shows that 42 percent of existing college graduates are underemployed, meaning part-time work and few opportunities to expand. A third are thirty-thousand dollars in debt, and 17 percent owe

up to fifty thousand dollars. Only half of those who find full-time work are actually employed in their field of study. Some 40 percent of those surveyed believe that they will have to spend more time and more money on an advanced degree to get the job they really want.

But even then there are no guarantees except for the sheer cost of this gamble. Unemployment among twenty- to twenty-four-year-olds is actually slightly higher this year over last—the only demographic for which this is true. Among this group, the unemployment rate (according to the narrowest measure) is 13.2 percent—a figure that would cause national panic if it applied to adults. Most of these kids have a safety net called parents.

You don't need the surveys to tell you any of this bad news. When the parents of today's late teens were that age, the world was their oyster (which they "with sword would open"). They didn't worry. They didn't think that much about jobs while in college or after. They could take time off and follow the Grateful Dead, languish in European backpack travels, take temporary positions they could easily quit, or anything else. They could pretty much take a job they wanted at a time of their choosing.

The world is completely different today and parents know this. The results of fifty years of government programs that pushed higher education as the ticket to happiness and prosperity are in—and they don't look good. The massive loans, subsidies, and incentives didn't make people in general smarter and richer. They just diverted resources and squeezed out private alternatives.

Cracks are starting to show in the entire apparatus that government built. Now, at midsummer, while preparing for school to start again, millions of parents are seriously vexed about their children's future and especially about the tremendous problem of college costs. No one knows for sure if it is a good choice, but the risk of foregoing college altogether is too high.

The data bear this out, too. Workers without college degrees earn on average about 60 percent of what a college graduate earns. And there are other chilling correlations, such as how two-thirds of the prison population is made up of people without college degrees. It's a fallacy to confuse correlation with causation, but nevertheless such facts give one pause about foregoing higher education altogether.

It's no surprise that parents end up coughing up even at tremendous financial sacrifice. Parents would gladly step in front of a bus to save their children, so facing debt and financial loss for a few years seems just part of parental obligation. This is why, in economic terms, the demand for college is relatively inelastic: Parents keep paying and paying no matter how bad it gets.

(As an aside, America has a very strange education system, once you think about it. People presume that all education from first to twelfth grade should be “free of charge” as a human right, but one year of formal education after that should cost the fullness of an average family income!)

For how long will people bear this tremendous cost without demanding some alternatives?

The other day at lunch, I saw a hint of how the present situation might change in the future. I was talking to a very talented graphic-design artist and I asked him about his college education. He said that he dropped out after his sophomore year to take a job in the industry.

He explained: “I couldn’t take the risk of not being employed after graduation. In my field, the employers regard college as evidence that you are willing to waste lots of time and money doing not much of anything productive. I decided to gain the competitive advantage and jump into the workforce at the age of twenty, get experience, and start climbing the ladder.”

That set me back a pace or two. I had expected that we would start to see this happening in the future, that at some point employers would regard a college degree as a liability, as evidence that a person has few skills and a high sense of entitlement. But to meet someone who had already acted on this scenario was intriguing.

Here’s my prediction: We are going to see the emergence of more credible one- and two-year alternatives to college. These programs will combine real work experience with rigorous learning and cost a small fraction of what college costs. It can’t work for some professions like law and medicine, mainly because of government controls and guild-like admissions certifications. But in fields like technology, design, and business, this seems like a great idea.

Sound good? I know of two such programs now.

One is Enstitute, a two-year program that focuses on real skills and apprenticeships with tech companies and nonprofits. It’s already difficult to gain admission given the flood of applications.

Another institution takes this idea and adds a liberal-arts focus, which seems like a great idea. It’s called Praxis, and it is accepting its first batch of students for this fall. The program lasts ten months, and, according to the website, can be treated as a college substitute, a precollege program, or a postcollege program.

It’s for entrepreneurial 18- to 25-year-olds who want real-world career experience and the best of online education all in one. . . . Don’t get stuck choosing between the intellectual value of a humanities

degree and the practical value of a business degree or work experience.
Get it all.

Such programs directly address the number-one complaint that all employers report about new graduates: They are good at sitting in desks and that's about it. This is a serious problem. These innovative programs actually recall the types of apprenticeships that were common before the government decided that everyone should be stuck in school during the most productive years of their lives.

These programs smash the paradigm that's been around since after the Second World War. They are the grass growing up in the sidewalk cracks. Just as homeschooling changed the way we think of elementary and secondary schooling, combined work-and-study programs like Enstitute and Praxis might change the way we think about college forever.

It has to happen. For five hundred years, college was for philosophy, theology, history, and language, and a small percentage of the population attended following rigorous high school experiences. In the last fifty years, college has become the educator of everything while high school has become dominated by extracurricular concerns.

Can this change be reversed? As with the housing bubble, the trend will change when people perceive the costs as outweighing benefits and bail out. As this tendency grows, alternative programs will grow and thrive. The path toward a freer educational market will be paved by private entrepreneurial efforts to meet the human needs that government programs leave unserved.

55 Meet the Targets or Die the Death

Sometimes a national story, reported in big venues in big ways for forty-eight hours, just goes away for no good reason. No lessons are learned. No insights are gained. No fundamental reforms are inspired.

That is the case with the Atlanta public school scandal, in which investigators identified 178 teachers and principals in 44 of the system's 100 schools involved in cheating on student tests. The investigation has finally been completed and some people are going to the pen.

The response to the news was typical: down with these lying teachers. This response taps into a feeling we all have that tests should record actual student achievement. Falsifying exam results outright, solely to make the students and system look better than they are, is the height of fraud.

But let's look a bit deeper.

What's the incentive structure behind the cheating scandal? No one at the top had ordered teachers and principals to change the tests. Bureaucrats put in place a system designed to make kids successful by fiat. Everyone knew the rules: teachers and principals who failed to achieve these goals, however unreasonable, would be fired. And yet when the smoke cleared, everyone simply blamed the teachers.

When she was hired as superintendent in 1999, Beverly L. Hall gave all principals three years to meet the state-mandated targets. They didn't. She closed 20 percent of the schools and fired 90 percent of the principals. People cheered for the obvious reason: these schools were nonfunctioning. Someone had the pay the price.

Everyone who survived got the message and the new hires were on notice: meet the goals or face professional death.

Then around 2004 the schools magically turned around. Scores on the exams mandated by the federal No Child Left Behind legislation started to rise. Dr. Hall became a national hero and fixture on the media and lecture circuits, explaining how inspiration and good management can make the difference.

Behind the scenes, the reality was very different. After collecting all the students' tests, a group of teachers nicknamed "the chosen" would meet behind closed doors. They sat in a big room and went over each test, erasers in hand, looking for incorrect answers to fix.

It sounds crude and ridiculous. Initially, according to the main witness—elementary school teacher Jackie Parks—"the chosen" were reluctant. But then the scheme started to show results. The scores showed that 86 percent of eighth graders passed math compared with 24 percent the year before. The same was true for reading: 78 percent passed versus 35 percent the year before.

The conspirators received nothing but praise for the results. The business community was thrilled because it drew new attention to the city and inspired investment and migration. The government was happy because everyone wants the public schools to work.

Most importantly for those doing the dirty work, they kept their jobs. Since the cheating didn't seem to incur any penalties, but insufficient scores would have, it was an easy-enough choice.

In 2010, investigators got involved. The jig was up. Now Dr. Hall may be facing forty-five years in prison. Thirty-five Atlanta-area teachers face similar charges. As Hall languishes in jail, we should ask what this does for the kids. Do they benefit? The answer is nothing changes for them. They didn't actually become better educated in 2004 and they won't be suddenly made less proficient now. It's just the same old broken system.

The first response to this kind of story is: lock 'em up. But, again, what does that actually fix? I can't help but be somewhat sympathetic to everyone involved, and that even goes for Dr. Hall.

Here's why I say this: Every government plan gives rise to cheating and manipulation. This is true for the smallest cases or the biggest. This is easier to understand if you consider more famously epic cases.

Consider an example. It is 1935 Russia. Grain crops keep failing, despite the Five-Year Plan Stalin imposed. He's sick of it. It's embarrassing. So this year, he decides to crack some skulls. Already tens of thousands have died, and everyone knows he means business. It's the same in every industry actually, from steel to cars to railways.

What happens? The new farmer or plant manager faces either professional or real death or he fudges the records. He figures out a way to survive. And the difference between Soviet five-year plans and public school five-year plans seems to me to be mostly a difference of degree.

Are people going to cheat? Absolutely. Is it wrong to cheat? Yes—but look at the bigger picture and the inherent problems with the system. The

problem is not the cheaters per se; the problem is the ridiculous idea that you can reinvent reality by passing a law and enforcing it.

No Child Left Behind was nothing but a soft version of Stalin's Five-Year Plan. It was an attempt to reform around the edges a system that is fundamentally wrong. It mandated that nationalized institutions, with students who are required to be there or face penalties, achieve a certain level of output or else everyone in charge gets replaced. This reform legislation was passed as a "back to basics" plan to replace the previous liberal plan that seemed to have no standards at all.

Now it stands as just another failed reform, another attempt to make reality different by passing laws and cracking skulls. It never works. So long as schools remain the province of politicians and are owned and run by the state, these reforms will continue as they have for a century. And in the same way, there will be incentives to cheat the system, no matter how strict the penalties.

The real way education is being reinvented in our time is through myriad private efforts. Home schooling, privately managed charter schools, privately owned schools, unschooling, Internet-based learning, church schools—each of these solutions is something that the political and bureaucratic class doesn't like. But they are marking out the only real path for reform that can work.

56 Can You Learn with a Gun to Your Head?

School is back and so is the grim reality that whatever the government touches, it wrecks. Government has done more than touch education, moreover; it has deeply embedded itself at all levels, leaving just enough in the way of freedom to allow families to breath but not thrive.

And the situation isn't getting better. Without digital options that are flourishing (because the sector is relatively free!), as well as intense parental initiative, along with the remarkable capacity of the human person to learn despite all odds, education would have been completely doomed by now.

No educational reformer with power has been willing to consider the outlook of Murray N. Rothbard.

Education: Free and Compulsory first appeared in 1971, a time when “progressive” educational reforms were in full swing, wreaking havoc everywhere as another stage in the never-ending secular decline of all education over the course of a century of relentless nationalization.

His essay, which traces back the origin of compulsory schooling, ends with a blistering criticism of the attempt to dumb down classrooms, aggregate the ability level of all students, and homogenize all curricula in the interest of making the poor students look better and the great students blend in with the masses. Rothbard's forecast proved right.

Since those times, a reaction to those reforms set in with the back-to-basics movements and the new emphasis on achievement. But the drive toward coercive collectivism remained. Today's current crop of politicians all seem to agree that No Child Left Behind, the Bush-era educational reform, has failed and has to go.

To be sure, people disagree on why it failed. Some believe it harmed classroom creativity. Others say it unnecessarily centralized control and pointlessly exploded spending. All the criticisms seem to be true. And yet that reform was the culmination of more than two decades of push by the “back-to-basics” and the “outcome-based” movements favored by “conservatives” to undo the damage done by the previous “liberal” educational

reform, which in turn was pushed to undo the regimentation that came about from the previous reform.

In a free market, services are constantly improving and developing to meet changing tastes, technologies, and resource availabilities. State-provided services are merely reformed from the center in successive waves of political fashions. The educational-reform movement, as it has ebbed and flowed over a century, seems to take the path of shampoo instructions: wash, rinse, repeat.

And so today, there is no end to the debate over how to improve public education: longer days, longer school year, better teacher training, merit pay, smaller classes, better tracking, less tracking, more tutoring, better facilities, earlier education, blurring district lines (again), vouchers, charters, and so on, seemingly without end.

Why are the problems essentially unsolvable? The public school sector, Rothbard shows, is rooted in coercion: funding comes first, but coercive participation inevitably follows. The coercive means are forever afflicted with the same traits that can be observed in any state-funded and -administered system. It is politicized. It is expensive. Its results are difficult to evaluate. It is heavily bureaucratized.

The consumers have little or no say, unless they run for the school board. The main concern is the collective, not the individual, and the results are accessed according to politically determined criteria.

And yet Rothbard raises a serious question. Has it all really failed, and, if so, in what sense? What actually is the goal of public education? The salvation of the state, Rothbard shows, was and remains the main priority of the government-run school system.

Looking back at the driving motivation, the view is beautifully summed up in the quotation from Frances Wright and Robert Dale Owen, early reformers writing in 1847. The goal of their plan, they wrote, was “national, rational, republican education; free for all at the expense of all; conducted under the guardianship of the State, and for the honor, the happiness, the virtue, the salvation of the State.”

Rothbard’s monograph helps us take that critical step of imagining a world of education in absence of coercion. Education is a service, one in heavy demand. That means it can be subject to the economic means of production and distribution, same as software, shoes, and spaghetti. And so it was until the late nineteenth century, when American education reformers adopted the views of European socialists.

Even today, private schooling somehow miraculously survives despite the massive tax state that extracts private wealth to benefit public schools, the relentless crowding-out effect of the public schooling system, and the

near-total domination of education by the state. These private solutions have been consistently shown to cost half as much and produce much better results than the state system.

What would education today look like in absence of state coercion? Consider the provision of food. What forms of delivery are available? There are corner convenience stores, large grocery stores, farmers' markets, home-delivery services, high- and low-priced restaurants, fast food, and the ability to grow your own at home.

So it would be for education as well, and we can see this even in the heavily interventionist system today. Where we see pockets of freedom—private schools, home schools, and even charter schools—we see a dramatic difference in results. The student flourishes because there is a relationship between producer and consumer, there is a commercial metric to keep the economics honest, and because the real goal is to educate rather than push the civic religion.

Slave-based schools work no better than slave-based economies. They will always be outperformed by volition-based institutions.

That state-worshiping aspect of public school has not entirely succeeded, as is rather obvious from looking at the decades-long decline in public respect for office holders and bureaucrats. But as with all state intervention, the highest cost is the one we do not see.

What Rothbard calls the “incalculably evil consequences” of public/compulsory schooling are still with us, the most notable of which is the suppression of true excellence. How many geniuses have failed to emerge? How much wisdom and knowledge have been lost? How many great minds have failed to be cultivated?

Public/compulsory education has pushed conformity and equality over excellence and genius. It has exalted conformism and equality above all else. Rothbard's words on this subject should be emblazoned on the minds of everyone who is thinking about genuine reform toward freedom and authentic progress:

The common enthusiasm for equality is, in the fundamental sense, anti-human. It tends to repress the flowering of individual personality and diversity, and civilization itself; it is a drive toward savage uniformity. Since abilities and interests are naturally diverse, a drive toward making people equal in all or most respects is necessarily a leveling downward. It is a drive against development of talent, genius, variety, and reasoning power. Since it negates the very principles of human life and human growth, the creed of equality and uniformity is a creed of death and destruction.

57 Building a Freer Life

In New Hampshire at the Liberty Forum, I spoke to an old-timer in this sea of young people. He offered a fascinating big picture on the prospects for political reform.

He spoke to me about what it was like in 1964 when Goldwater received the Republican nomination for president. It was the culmination of all their efforts. They gave money, went house to house, showed up at the convention, and generally screamed their heads off.

Why the frenzy? Because Goldwater was going to repeal the New Deal, fix the dollar, kill bureaucracies, end the income tax, stop Social Security, and get the government out of everyone's lives. He was the liberator. He was the one man at the national level who seemed to understand the whole idea of freedom. And yet, after all this effort, he lost the election.

The consolation prize, so far as they were concerned, was that they had educated the public about the evils of the government and also taken over a controlling interest in the Republican Party itself. True, they didn't win but there would be a next time.

The next time it was Richard Nixon up to bat. They believed that he was a great person to carry on the Goldwater banner. He stood up to Alger Hiss in the Hiss-Chambers hearings of the 1950s, and had strong anticommunist/antisocialist credentials. He hated the media and the liberals. He had all the right enemies. And he was electable.

Sure enough, he won. And as president, what did he do? He killed what was left of the gold dollar, created the Environmental Protection Agency, instituted wage and price controls, and generally made a huge mess. One good thing he did was make peace with China but the right-wingers actually objected to that.

Regardless, the efforts of a generation to reform government from the top down were squandered. Many left politics with a feeling of having been robbed of money and time. Total disillusionment took over.

But the political machine didn't stop there. Only a few years later, another savior appeared on the horizon named Ronald Reagan. He was like the others.

He opposed government and favored freedom. He wanted a gold standard. He hated taxes and understood their destruction. He had all the right enemies. Another generation got sucked in: let's elect this guy and save the world!

He won. Over eight years, the federal budget soared, he raised payroll taxes several times, protected corporate interests against foreign trade, created some new bureaucracies, ballooned the deficit, entrenched the power of the Fed, and generally expanded the size and scope of government intrusion into people's lives. His legacy to the world was his VP, George Bush, whose son was George Bush II, and so on.

The old-timer stopped his wise and sad narrative and flat out asked me: Why do you suppose that people keep getting sucked into this idea that government can be reformed from the top down? Why do people who claim to understand the problem with government keep thinking that the answer is to elect a white knight to save them? Can't they see that this has never worked and cannot work?

I didn't really have an answer for him. And yet, a quick sweep of history shows that masses of people, even smart people, have a penchant for hoping that powerful people operating from the top will save them. I think about the scene from the Bible when the people come to Samuel and beg for a king. Samuel warns that "he will take your sons and make them serve with his chariots and horses ... take your daughters to be perfumers and cooks and bakers ... take the best of your fields and vineyards and olive groves and give them to his attendants" and "menservants and maidservants and the best of your cattle and donkeys he will take for his own use," and so on.

Sound familiar? That was three thousand years ago!

Why, then, has he found himself at the Liberty Forum? Well, it is sponsored by the Free State Project. Here we have an effort to do something on behalf of human liberty that goes beyond conventional political activism. The idea began with a dream of bringing thousands of people to the state so that they can make a difference in state politics.

There is a lot that can be done on the state level to make people's lives freer. Taxes can be lower. Gun laws can be less restrictive. The war on drugs can be curbed and marijuana legalized. Schools can be reformed. And with more than a thousand people having joined the effort in New Hampshire—actually picking up and moving to combine their efforts—they really have made an actual difference. And this difference matters. In day-to-day life, state and local governments can have as much or more influence in taking away our liberties than even the federal government.

And yet there is more going on here than just that. New Hampshire has become a hotbed for innovative new strategies that go beyond just politics. New forms of alternative-payment systems are starting up here. Free Staters assist each other in court and in dealing with intrusive police. They are gathering in meetings to share ideas on handling personal finance, making preparations for disasters, educating kids, and much more. It's become a real generator of innovative learning and doing. And it is making people live freer lives than they otherwise would.

This is what I called in my talk "building liberty." It is the best alternative to national political organizing, and a necessary step beyond the first stage of discovery and awareness. It means taking charge of your own life and claiming for yourself the freedoms and rights to which you are entitled. The goal is to create a social infrastructure that works in times when almost everything the government does has stopped working.

And it turns out that there are many things people can do in their own lives to gain a greater degree of independence, freedom, and happiness. Getting out of debt, finding a satisfying job, keeping mobile, privatizing your healthcare, saving money in alternative ways, having a network of friendship, reading the right books to gain personal inspiration, staying out of harm's way, and getting involved in the commercial world are all ways forward.

In the end, as Leonard Read would say, the only person one person can really control is himself or herself. This is where the difference must begin. Doing that is much easier when you have a community of support. People usually overestimate their own influence on national politics and underestimate their power over themselves. The Free State Project is an effort to put this principle into practice.

It's an experiment, an effort to bring creativity and entrepreneurship to the task of freeing our lives. Like all such endeavors, it could fail. But so far it seems to be working. And it is far from complete. New Hampshire could end up being a beacon for the world and an example to all of us.

58 Drop the Freon and Come Out with Your Hands Up

“All the profits of drug trafficking and none of the risk.”

That’s how the prosecutor in a federal criminal case described Carlos Garcia’s smuggling operation that has landed him in the federal pen for thirteen months.

Before wearing leg irons and striped pajamas, Garcia was a top executive in Marcone Inc., a leading supplier of home appliances. Today he is just a statistic, the newest addition to the world’s largest prison population.

His crime: He was the mastermind behind Freaky Freon Friday. On this day, the company would distribute to wholesalers and repairmen, at low prices, the thing that millions desperately want but cannot otherwise get, thanks to federal regulations. They want HCFC-22 to fill air-conditioning units . . . so that their offices and homes can stay cool.

It has been illegal for two years to sell units that use it. But nearly all existing units use the old coolant. Importing HCFC-22 is severely restricted. The government’s idea was to drive up the price, making it too expensive to maintain existing units, and thereby somehow inspire manufacturers to invent things to make us all more virtuous. But replacing units with unproven technology is expensive and risky.

When there is money to be made, through the perfectly legitimate desire to keep people cool indoors, some people will “break bad” and go outside the law. Three years ago, the stuff sold for \$55 per canister; now it sells for \$140. It is produced in China, the label on the canister is changed, and then it is hidden among vast other cargo, imported to the United States, repackaged, sent to Mexico, and sent back again. Apparently, this circuitous route is the safest and least detected.

Mr. Garcia was caught simply because the only office of the Justice Department that specializes in “environmental crimes” is in Florida near the office where he ran the operation. Garcia was the victim of a wiretap and a sting operation, as the *New York Times* reports. He was probably aware that what he was doing was technically sketchy, but he was unable to expunge from his mind the consumer-service ethic. His job was to make people cool.

Meanwhile, illegal HCFC-22 operations carry on all over the country, a fact we know because the street price of the coolant is falling even as demand is increasing. It's profitable contraband.

There are no restrictions on coolant in Mexico and most other countries in the world. It is still legal to actually make it in the United States and export it. It just can't be legally sold here. Nevertheless, people will stop at nothing to get it, especially given that more than half the country would be uninhabitable without air conditioning and that 90 percent of the existing units need coolant, and will for a long time in the future.

The hot war on cooling has only just begun. But roots of it all date back to the 1970s with the regulatory attack on aerosol, later becoming an attack on CFC, and then ramped up to abolish the CFC replacement HCFC, and we'll see how long its replacement is for the this world. The goal, as you surely recall, was to stop the hole in the ozone layer—a thing that's been out of the news since the real goal of passing the regs was achieved.

Now it turns out that the ambition is broader. Environmentalists are insisting that we turn up the temperature in our house to 85 degrees and just learn to live with it. The regulatory press (i.e., the *New York Times*) is running articles about how incredibly scary it is that many countries in the world are demanding ever more air conditioning.

No kidding. Air conditioning is an essential part of the civilized life. And that is precisely what government hates about it. That's because ever more in our times, government is devoted to taking away everything we love.

Of course, the regulators have "science" to cite to justify the attack on our happiness. The scientific evidence of some relationship between our cool living rooms and the melting earth runs all directions. Not knowing enough about the technical aspects, count me as a skeptic. There is just something mystical and wacky about this whole notion.

Modern-day primitives are just too quick to imagine that a boiling planet is Mother Nature's way of forcing propitiation on us for our sins of manmade prosperity and comfort. Government loves these people because they provide a cloak for control and regimentation. There is always a scientist happy to cash a check from the government to confirm the pagan faith. Their data always evade that critical question of causation.

H. L. Mencken defined a puritan as someone who has a haunting fear that someone, somewhere, may be happy. It is true with regulators too. They have a haunting fear that someone, somewhere, might be using technology in a way that brings comfort and convenience to life. They are seeking to crush this at every turn, and air conditioning is high on the list.

Meanwhile, the list of banned and soon-to-be banned products is growing. We are being hectorated for our burgers, hounded for our sodas, denounced for smoking, jailed for growing pot, told to use less water, to use less energy in everything, to drive bikes, not cars, fussed at for having lawns, told to stop indulging ourselves with ice makers and large houses—even indoor plumbing is under fire.

They want to take it all away from us and manufacture some alternative universe in which we are happy as can be growing our own food, turning our toilets into compost pits, and cooking over an open fire, provided we don't cut down trees. Government has settled on these poverty-creating policies because it apparently realized at some point that it could not contribute anything toward making us better off, so it does more of what it is good at: spreading human misery and calling it good.

But it is not working, because these policies are contrary to human nature. Mankind wants a better life. That's most of what we do here on earth. We struggle our way through the vale of tears called scarcity to make and get more and better. That's the very meaning of the process of living. We don't respond well when a bully says you cannot have access to a good or service that would improve your life. You must learn to accept your downgraded state of being.

At some point, we recognize that it is not worth it to surrender all to our powerful masters. These policies are driving us all toward "breaking bad," a phrase drawn from the popular television show in which a chemistry teacher becomes a meth manufacturer in order to provide for his family. No, we are not making meth, but we are doing lots of things we aren't supposed to do.

Breaking bad takes many forms. We drink more than we should and then work to drive extra safely. Don't gasp; probably two-thirds of the drivers in my town on a weekend night could be jailed for DUI, and the same is true of your town. People buy extra pseudoephedrine in off months to stock up for bad times, technically acting as smurfs just to clear our clogged noses.

We hack our showerheads and our hot-water heaters. We buy pirated products and stream videos illegally. We smuggle in Spanish ham in our bags, bring back Cuban cigars from our travels, pay and receive in cash instead of credit cards, search for gas stations that sell cornless gasoline, and drive across state lines to get our TSP so our clothing can get clean.

We are choosing to be outlaws, rather than chumps, and, as such, are ever more willing to recognize how impossible and undesirable it is to comply, rather than live a good life. In fact, the forbidden fruit is attractive to us. We want raw milk, home remedies, real light bulbs, cheap meds from Mexico,

sketchy software from Thailand, off-the-books jobs, “counterfeit” sunglasses, and pirated shoes and handbags from anywhere.

Thanks to the Internet, the rebellious spirit in our bones, and the impossibility of stopping it all, we are all breaking bad and getting used to it.

In a country where everything wonderful is becoming illegal, and everything depreciated and inferior is mandated, this is the only way to live. To comply is to accept the status of poor slaves; to break bad is to leap into the speakeasy economy with trepidation but at least some hope of an improved life.

59 The Holy Hangman Still Kills

Half of Americans think that government is their benefactor. The other half think it is a sworn enemy. Depending on the day and the issue, they can and do switch sides.

These hydraulics are at work in the never-ending arguments about taxes, medical care, marijuana, education, war—you name it. This is how government pits one group against another in mutual pillaging, like primitive tribes of people who have yet to discover how to make stuff, trade, and get along.

The struggle is tearing up civilization in an epic battle that neither side will win. The only real victor in this battle is the government itself.

“It is not that governments begin in virtue only to end in sin,” said one astute observer. “Government begins by protecting some against others and ends up protecting itself against everyone.”

These are the words of Robert LeFevre, a brilliant writer who lived from 1911 to 1986. He had huge influence in his day, long before these views became mainstream among the smart set. He saw everything government does through this lens of divide and conquer. He explained that war and empire are every bit as dangerous to human flourishing as transfer payments, regulations, and loose-money policies. He explained the true nature of government as few others have.

His masterful book *The Nature of Man and His Government* was published in 1959. I think of this as part two of Bastiat’s *The Law*. It’s that good.

It astonishes me that something so clear, so prophetic, so penetrating, yet so calmly rational could have been written a half-century ago, at a time when most people think government was pretty darn small (and it was, compared with today’s). This book anticipated our times as few books in his time did.

It’s not really an antigovernment screed at all. LeFevre said that government is a tool and nothing more. It is created by people who are fearful of something (invasion, old age, poisoning, violence, etc.). They expect government to take away their fears. Instead, it adds to them.

That’s because government can do only one thing: coerce people. It does this by making and enforcing ever more laws that steal your property and ruin

your life. The more it does this, the fewer people have money and freedom to run their own lives.

Many people deny this. They imagine the government is the means toward social justice, global peace, equality for all, morality and virtue, health and well-being, racial purity or harmony, and prosperity forever without recessions.

True, none of this ever happens, no matter how much money and power the government is granted. But people are not deterred. Why? Because they have not yet come to terms with the truth that LeFevre explains in this short book.

And that is the root of the vast number of social and economic problems we have today. It doesn't matter who is running the show, wrote LeFevre, any more than it matters who is operating the guillotine. The government is doing what governments do: divide and conquer society and grind the people's rights and liberties into the dirt.

The mistake, he said, was in creating one in the first place.

Why not just create government and put restraints in place? Well, that's what the Founding generation attempted to do with the US Constitution. They created an apparatus that deliberately disabled the ability of government to do what it does. There were three branches, complex systems for making new laws, and checks and balances running every which way as in a Rube Goldberg machine.

Old-world observers laughed and said that this was the most convoluted system of government they had ever seen, one that would guarantee that government would never work very well. What they didn't understand was that that was precisely the point.

But in time, government broke free of the limits. It was bound to happen.

As LeFevre said, government "is an instrument of force and coercion. And there can never be an instrument of force and coercion which will consciously restrain itself. It must be restrained. Yet there is no tool capable of such restraint. For any type of tool, whatever its nature, which is allegedly formed to restrain and contain government, would, by its own nature, simply become a government's government."

People say that government has gone mad in our times. LeFevre disagreed. "Government which passes and enforces endless rules and codes is not out of character when it does so," he wrote. "It is in character. That is the way any government operates. And the longer a given government endures, the more numerous will be the laws it enacts. It is the business of government to pass laws and to enforce them."

Keep in mind when you read the following that we are talking about 1959 here:

Today governments concern themselves in general not with criminals, but with law-abiding citizens. Every citizen is a victim of the aggressive tactics of government. . . . the average person today, buttressed in by government, surrounded and overshadowed by government, finds himself a lawbreaker several times during an average day. And this fact turns him from being a law-abiding citizen into a lawbreaking citizen, and equates him with any criminal who, in fact, breaks a law with aggressive intent.

Yes, but what about the absurdities of the TSA today? What of the excesses of the police, the aggressiveness of the regulators, the wickedness of the bureaucrats, and the invasiveness of the national spy network?

LeFevre responds: "Government has but a single standard: obedience. Its decrees, good, bad, or indifferent, are enforceable. And the men in government cannot recognize a law that need not be enforced. If the government has adopted a policy, the policy must be carried out, even though one policy may be aimed at social stability and the other at social injustice."

I'm thinking of my recent investigations into how the car came to be regulated. One group of regulators wanted it to be safer. Another group wanted it to consume less gas. The goals are in tension, even contradictory. They both prevailed, and the results are absurd. They created a mess and, in so doing, shut off the creative forces of the market to invent new and better things.

This is only one case. There are millions more. We are surrounded by the distortions born of government rule. We are poorer, sicker, and less civilized than we would otherwise be. And what's especially sad is that we don't necessarily know what we are missing, because government makes invention and creation illegal in any sector it fully controls.

LeFevre says it again and again. Government was created by people as a tool. That tool has not accomplished its goal.

Government, when it is examined, turns out to be nothing more nor less than a group of fallible men with the political force to act as though they were infallible.

And so he says with positive optimism: It can similarly be uncreated. It can be undone. It can be dismantled. We can have a society based on voluntary action and trade. We need only to make that choice.

60 The Homogenization of the Car

The antique car, specially ordered for the occasion, was waiting for the bride and groom to take them to the party after the wedding. I was among the guests who were more enraptured by the car than by the main event. Absolutely stunning.

It was a Studebaker. At best I can tell, it was a 1940 Commander convertible. I had to look it up: This company was born in 1852 and died in 1967, and produced some of the most visually gorgeous cars in its day. It even made an electric car in 1902! Wartime controls shrunk its margins and led to an industry consolidation that killed the company.

On this Saturday afternoon, this car was still fabulous, after all these years. We stood in a parking lot packed with new models. No one cared about them. We were all obsessing about this old Studebaker. It is rightly named: It commands attention. The shape makes it a work of art. The hood looks like nothing made today. The red-leather interior is luxurious.

We stood there in total admiration. We wondered about the gas mileage. It can't be more than today's gigantic "light trucks," but we all agreed that paying more to drive something that cool would be worth it.

Yet it's not a choice. No manufacturer can make a car like this anymore. Step back from the situation and think about it. In the 1930s, phones were awful, and you were lucky to have one at all. No one today would give up a smartphone for one of those old things. Same with shoes, computers, televisions, ovens, and so much more. No one wants to go back.

With cars, it's a different matter. Our sense of nostalgia is growing, not receding. But we don't even have the choice to go back. There will be no more pretty cars. The government and its tens of thousands of micromanaging regulations on motor vehicles will not allow it.

The day before the wedding, I was at the grocery store and saw another amazing car, this one a tiny sports model with roll bars. It just took my breath away, and I'm not even much of a car person. I usually don't care what I drive. But this one was just too great not to elicit a sense of awe.

I asked the owner where he bought it, what model, what make, etc. This car challenged my impression that all new cars look the same. He said that he built it in his garage. He got the kit from Factory Five Racing.

“You have to build your own car in a garage because no maker is able to sell something like that?”

“You got it.”

These car kits are a way of “breaking bad” in an era of total government control of the physical world. They are a workaround. The law permits hobbyists and antique collectors and used-car owners to drive these pretty cars around. But it doesn’t allow carmakers to sell road-legal cars that look just like these.

The old expression goes “If you want something done right, you have to do it yourself.” There’s only one problem: It should not be true in a developed economy. We should be able to take advantage of the division of labor. We shouldn’t have to build our own cars any more than we should have to weave our own clothes. But that is exactly where the regulations have taken us.

Did you ever wonder how car companies can make stunningly great cars that they call “concept cars,” but these cars are somehow never available to you and me? I’ve always been puzzled about this. I figured it was just because the concept cars were too expensive to make. That’s not it. It’s that the regs don’t allow them to exist as retail items.

It hasn’t happened all at once. It’s been a bit at a time, taking place over four decades in the name of safety and the environment. The whole thing began in 1966 with creation of the National Highway Traffic Safety Administration, followed by the Environmental Protection Agency and dozens of others. Every regulator wanted a piece of the car.

Each new regulation seems like it makes sense in some way. Who doesn’t want to be safer and who doesn’t want to save gas?

But these mandates are imposed without any real sense of the cost and benefits, and they come about without a thought as to what they do to the design of a car. And once the regs appear on the books, they never go away. They are stickier than code on a patented piece of software.

Now the endgame has arrived. Try as they might, manufacturers have a terrible time distinguishing their cars from each other’s. Car homogenization has become something of an Internet meme. It turns out that all new cars more or less look alike. I had begun to notice this over the last twelve months and I thought I was just imagining things. But people playing with Photoshop have found that you can mix and match car grills and make a BMW look just like a Kia and a Hyundai look just like a Honda. It’s all one car.

Truly, this cries out for explanation. So I was happy to see a video made by CNET that gives five reasons: mandates for big fronts to protect pedestrians, mandates that require low tops for fuel economy, a big rear to balance out the big fronts, tiny windows resulting from safety regulations that end up actually making the car less safe, and high belt lines due to the other regs. In other words, hysterical concern for safety and the environment has wrecked the entire car aesthetic.

Never mind that safety and the environment create contradictory results. The more gas you save, the lighter the car and the more likely it is to kill you in a crash. Corporate Average Fuel Economy (CAFE) regs have certainly killed many people. Similarly, the more safe it is, the more gas it uses, as a general principle. Meanwhile, the gas itself is being ruined with corn additives that shorten the life of the engine.

These regulations are responsible for the disappearance of the station wagon and the domination of the car market by huge vehicles that can be classified as trucks, which are regulated according to a different standard. That's right: Regulations designed to encourage fuel economy have done exactly the opposite by pushing people out of cars and into SUVs—which just so happens to be exactly what the big three manufacturers want. It is not surprising that the most consistent voices against CAFE standards have come from abroad, not from Detroit.

No one set out to wreck the diversity, functioning, and beauty of our cars. But that is precisely what has happened, as the political and bureaucratic elites have asserted their own value systems over the values of both producers and consumers. They are the masters and we are the slaves, and we are to accept our lot in life.

Consider the point about pedestrians. How many lives has a high front end really saved? No one knows. But the regulation itself seems to rule out the possibility that drivers and pedestrians can work out problems for themselves, without regulatory intervention. In other words, we are being treated like children. Wait, not even that. We are being treated as if we have no brains at all.

The situation is very serious. Some thirty years ago, futurists imagined that cars of the future would be stunning and beautiful and would bring total joy to driving. Consider, for example, this Triumph that was said to be the "car of the future." That future has been entirely wrecked.

Regulators made it the car of the past, a dashed dream that had to die to make way for the weird, homogenized stuff we are permitted to buy today.

Americans used to take pride in our cars and laugh at the horrible cars produced under socialism in, for example, East Germany. The Trabant will

go down in history as one of the worst cars ever. But as we look back at it, at least you could see out the windows and at least the plan seemed to put the interests of the actual driver above Mother Nature and the nondrivers. The socialist central planners had a bit more sense than the American regulators.

In the end, if the goal is to protect the peds and the Earth, you can do no better than mass transit and the bicycle. We all know that this is what they are after. Last year, the Obama administration announced new fuel-economy standards to be obeyed by 2025 that no gas-alone car in existence can comply with. These standards will vastly raise the price of the car and force into existence a world in which cars are all electric or plug-in hybrids.

Everyone rightly condemns bailouts and cronyism that sustain unsustainable industries. But here is the truth. If the corporate fat cats in the car industry and the unions that dominate them didn't have political pull, the abolition of the car would probably be an already-accomplished fate. As it is, the car is allowed. But it is not allowed to develop, not allowed to take a shape that consumers would like, and not allowed to function like an actual economic good.

The car was the foundation of the second industrial revolution. Encroaching government is robbing it of its future. We once dreamed of a flying car. The regulators are putting us in the position of just dreaming about returning to the glory days of the 1970s. That's just pathetic.

61 Protectionism Is a Rip-Off

Winter is upon us, and that means digging out of our closets a whole variety of different kinds of shoes. There are insulated hiking boots, trail shoes, specialized hunting boots, waterproof shoes, and more.

Ah, the wonderful varieties provided for us by the marketplace!

Thank goodness government never did to shoes what it has done to education and healthcare. If it had, prices would be going up, instead of down, and we'd probably have only a handful of models for all seasons.

Only government-approved shoe stores would exist. And there would probably be no such things as specialty outdoor shoes, which now account for 30 percent of the retail sales of outdoor equipment in general (which itself is a \$646 billion industry).

Yet an interesting thing happened just following the election. The Obama administration, without warning, announced that it opposes prolonging a suspension of tariff walls on the materials that go into making these specialty products. To put it plainly, there is going to be a new tax on imports on your shoes. And it begins on January 1, 2013.

(If you want to know more about the legal mechanism being overridden here, look up “miscellaneous tariff bill”; it is a slight window of freedom in an otherwise closed system.)

This puts many importers and foreign producers in a terrible bind. They've already made their business plans and purchases based on the assumption that the lower tariff rates will apply. Industry experts are predicting price hikes of an immediate 38 percent on outdoor shoes. It will hurt sellers, manufacturers, and especially consumers.

Why would the Obama administration do this? I have no inside knowledge. But if this action fits most such actions, it comes down to a political payoff for some industrial competitor somewhere. It has nothing to do with saving jobs. It is saving some friends of the government at the expense of everyone else. Another possibility is that this action helps give more work and power to the US Customs Agency and its private sector union.

Maybe you have noticed: There is no national controversy about this. It is left to institutions like the Outdoor Industry Association to plead with their members to write, call, petition, beg, or do whatever is necessary to save themselves from the tax. After all, that's what a tariff is. This tax hurts the many and benefits the few.

In effect, business is back to begging to do business. Does it work? Sometimes it does, provided the affected industries grease the right palms. Often, it doesn't work. So people will show up at their favorite store in mid-January and be appalled at the suddenly soaring prices of outdoor shoes. Will they curse the Obama administration? Nope. Most people are completely unaware of just how protectionist US trade policy truly is and how it affects millions of products. Instead, they will blame the retailer for gouging or the manufacturer for being greedy. The private sector will again be blamed for the actions of government.

I'm particularly intrigued by these kinds of actions because they suggest the real way that government undertakes its dirty work. Mostly, it is out of public view. It consists of petty bureaucrats working with various industry groups to rig the system in favor of whoever has the political power and muscle to pull it off. The public debates and the elections have very little at all to do with it. In fact, there is no debate about most of what government does.

It's not so much that it takes place in secret. Almost all information is publicly available. The problem is that no one but the most affected have the incentive to watch what is happening in any particular sector on a day-by-day basis. That's why, if you really want to know what government is doing to business, you have to ask an industry expert. Only they get the communiqué. Only they have a strong incentive to act.

People think of protectionist policy as a benefit to domestic businesses. This is not true. This is a clear case in which most of the harm of the protectionist policy is done to American business. The reason is that economic production takes place over many stages of production, and these are ever more spread throughout the world. A tax on imports ends up affecting domestic manufacturers and sellers, imposing artificially high costs of doing business.

To be sure, there are remaining forms of protectionism that are a clear sop to American industry. To my astonishment, the *New York Times* ran an op-ed about one just the other day. Maybe you haven't noticed this, but foreign airlines are not allowed to serve domestic routes in the United States. They can land in US airports, but they have to head out with passengers destined for foreign countries.

As a result, US air carriers do not face the level of competition they would otherwise. I noticed this only recently when I took a flight on Turkish Airlines. The plane was beautiful, the chairs comfortable, the service fantastic, and everything worked. I was amazed because this is a government-owned airline. Generally, it was vastly better than what we American consumers have come to expect from American companies.

Well, Turkish Airlines serves a highly competitive market throughout Europe and the rest of the world. The United States is actually unusual in this respect. Only American companies are allowed to serve American domestic routes. The result is a lessening of price competition and reduced service. This serves to benefit powerful interest groups: the air carriers themselves and the labor unions that work for them.

If you think about it, this is an egregious regulation, one that would never exist in a situation of free enterprise and free trade. And the hypocrisy is overwhelming. In the land of the free, the home of all things bright and beautiful, we have draconian laws that keep foreign suppliers out, like some kind of mercantilist medieval fiefdom. What possible harm could come from letting British Airways take me from Atlanta to Chicago?

The cause of free trade has always been about the common man. It is about the right of average people to trade with whomever they want. Protectionism, in contrast, is another way for powerful people to extract money from our pockets and reward their political friends with legal favors. In other words, it's a rip-off.

You and I might be reminded of this in the dead of winter 2013, when that pair of hiking boots we had our eyes on suddenly soars in price and, instead of buying, we decide to stay home in our slippers and contemplate the fate of liberty in our time.

62 This Way to the Slaughterhouse

Madison, Wisconsin, was in lockdown mode last night, a day before the visit by the president of the United States. It is Obama's last stop before Election Day. It just so happened that he and I were in town on the same day to speak to students, faculty, and residents.

My host, Young Americans for Liberty organizer Joseph Diedrich, and I were leaving the restaurant above the Museum of Contemporary Art and walking to a cigar bar on the other side of the Capitol building to meet other students and faculty for late-evening conversation.

We had to go the long way because of all the barricades and equipment.

Crowds were milling about everywhere, and some people were sitting on risers listening to someone giving them instructions on a bullhorn. They sat there all fresh-faced and eager—anticipating the great moment when Il Duce would pay them a visit. I asked someone who these people were.

“Volunteers.”

“What are they volunteering for?”

“To help with tomorrow's event.”

“And they do this because . . . they love Obama?”

The guy nodded but detected skepticism in my voice. His face darkened into a scowl. I could imagine these words going through his head: *If you see something, say something.*

It was time for me and Joseph to get going. We walked on rather hurriedly, and every third or fourth step I turned back to look at the guy. His eyes were following us very carefully, and I kept looking to see if he would whip out his cellphone and call some official thugs to give us the “what for.” He didn't, but the escape seemed uncomfortably narrow.

Who were all these people? They could have been home surfing the Web, playing with kids, reading a book, watching television. But no. They are dedicating their time to re-electing Obama. Why? My own theory comes from a book by Chris Hedges called *War Is a Force That Gives Us Meaning*. His thesis is summed up in the title. But his thesis can be broadened.

Politics is the force that gives life meaning. It is what people do in order to convince themselves that they are making a difference in the world, that their lives are not petty and useless, but big and important. It is an illusion. They are dupes of a process. But they do it anyway because they want to affirm their own significance in the course of human events.

Sadly, political activism typically requires brains to be in the off position. And I'm not just picking on these nice people. You would find the same at a Romney rally—though my sense is that his backers are not quite as devoted.

This doesn't make these people bad. The guy who shot me and my friend the evil eye is probably a nice fellow otherwise. Had he been serving drinks at the local bar, we would have been on great terms. It's the venue that extracts the suspicion and hate. Politics turns nice guys into thugs.

It's a microcosm of what democracy does to the whole of society. And where is the payoff? For most people, there is none. What is truly at stake is much smaller than what people believe.

For months on end, I've heard people tell me what Romney or Obama is likely to do if elected, and, therefore, why, in the scheme of things, it would be better if one or the other were elected.

And how do people know what either is going to do once in office? Their suppositions are based on an assembly of passing data: what they have said on the campaign trail, their intellectual and personal backgrounds, what the party platform says, who their biggest financial backers are, what kind of people are voting for them, and so on.

But here's the truth: No one knows for sure what a newly elected politician will do. Intellectual or professional background counts for little when a person is suddenly flush with power, slammed with daily duties, bound by institutional expectations, surrounded by people who know far more about nearly everything related to the affairs of state, and overwhelmed by suddenly being the chief executive of history's largest and most astonishingly complex power apparatus.

The same is true about what was said on the campaign trail. By the time they are sworn in, it's all ancient history, just data points in the process that got them where they want to be.

Party platforms? Those are as binding as yesterday's editorial page of the local newspaper. Platforms are pressure valves for chumps, worthless documents that provide a means to convince the party regulars that it really does matter what the workers and peasants in the party believe, even though it doesn't matter at all, since they've already performed the essential service of

giving money, making calls, passing out leaflets, and holding approved signs at the conventions.

Financial backers might be the best predictor of future actions of presidents, but even here, the guidance is vague. It's not even entirely clear to what extent the person of the president himself really possesses the control that American political culture assumes he has. People complain about how politicians betray the people every single time. But what if betrayal is inevitable and all the promises and claims are nothing more than propaganda just to get one gang into power instead of another?

People like to assume that we are voting on issues. The media hector politicians to "stick to the issues." We are supposed to do our civic duty and bone up on the "issues." But when you get to the voting booth, there are no issues on the ballot on the federal level. There are only people's names. That's what we are voting for: person x or person y . All the rest is guesswork based on fleeting, gassy words in the air. All the talk about issues only distracts from this devastating reality that no one has a clue what this or that elected official is going to do in reality.

And consider the claim that candidate x would be better than candidate y for a variety of reasons. This is nonverifiable. You can't run an experiment. It's not like the natural sciences. A person who said the following would be considered a lunatic: "Let's try four years with Obama and then try the same four years with Romney and see which turns out best."

Yet that's precisely what we would have to do in order to make any truly valid claims about who would be better. Nor can we tell after the fact that the person who lost the election would have been better or worse.

All we really know is that every president makes a terrible mess. Even the few that do something good or do as little as possible leave a terrible mess in their wake. That's been true ... well ... pretty much without exception since the beginning. The ones who make the smallest messes you never hear of, while the ones who make the biggest messes make the history books and, if they are lucky, get their picture put on some paper money.

All of this extremely strange stuff in an election makes for a dramatic contrast with the free market. If you want shoes, you can buy shoes. If the shoes don't fit, you can take them back. The company that makes the best shoes at the best prices tends to advance itself in the marketplace, and those that do not tend to fall back. At any time, the buying or the abstention from buying determines the outcome, and there is a direct link between what is produced and what is consumed. It's simplicity itself.

In the marketplace, we are voting every day—without the national psychodrama, divisive frenzy, and astonishing expense, not to mention the lies, graft, and betrayals. Thus do I renew my call for us all to rally around those who truly do serve us and try our best not to get sucked into a racket in which you will certainly be betrayed.

63 Storm Economics in One Lesson

In a natural disaster like Hurricane Sandy, the only thing people should fear more than the storm is the government's response.

Let us count the ways.

Mandatory evacuations presume that politicians know the risks better than property owners themselves. That can't possibly be true. In an information age, we all have access to the same data. Especially these days. We should be able to make our own risk assessments, coming and going from our property as we choose.

Where is the evidence that property owners systematically underrate risk whereas political elites are clear headed and know precisely what to do? The incentive for the government is to clear everyone out because doing so exempts city workers from liability for failing to do the job they exist to do, namely to protect and serve people in times of crisis.

There is also something extremely perverse about arresting people for failing to take government-mandated steps to protect themselves. When it is all over, government is then in a position to control access to one's own home and property. In every natural disaster with evacuations, people find themselves struggling against their own government to get back to their own property and assess the damage.

In this case, all across the Northeast region, even where storms only brought some wind and rain, it was the government workers who fled first. It makes sense because they tend to regard themselves as more valuable than the rest of us. A friend posted the following even before the storm hit:

So I call 911 for the downed power line in the alleyway. I get Fairfax County 911. They transfer me to Alexandria City 911. They refer me to the storm damage emergency line. I get the voicemail for the city communications office.

So I call 911 again. They transfer me again. They refer me again. I tell them, but nobody is answering. They say that's where I'm supposed to call. So I call again. The guy there does not know for sure whether he is supposed to take calls for downed power lines.

(pause) He looks it up. (pause) He decides he is supposed to take my information and enter it into the computer.

I call my landlord. He comes right over.

Then there's the antigouging mania that hits every government executive. They warn with great bravado that no private seller can raise prices more than 10 percent in the event of an emergency. This defies reality. Storms and impending storms send existing supply and demand matrices into total upheaval.

Prices change, and that's a good thing. It should go without saying that when things and services are in shorter supply, the price of them goes up. This serves two purposes. It provides a signaling device and incentive for new sellers to jump into the market. It also signals the need for more and alerting consumers to conserve until more arrives. This is good for everyone. Would you rather pay five dollars a gallon for water or have no water available for sale at all? That's the choice.

When government threatens people not to profiteer, it discourages producers from entering the market. And yet this is what they do. One North Carolina paper even editorialized for people to rat out any gougers by turning them in. "It's a good law, and is made better when the public reports profiteering incidents to authorities."

Amazing: demonize the people who are providing solutions in time of crisis!

Short-circuiting the pricing process discourages gas stations, water sellers, restaurants, and everyone else in the commercial marketplace not even to bother showing up. Why take the risk when there is no reward? As for the goods and services that are available, they will be depleted more rapidly than they should be.

Lives are at stake here. Yet all the politicians seem to care about is their reputation and power, regardless of the consequences. Long experience tells us that it is not government that serves people well in emergencies, but places like Walmart, Waffle House, and Lowe's. Of course, these commercial establishments are the ones that the political class tries to shut down. It's perverse even by government standards.

Given the torrent of criticism over the last disaster, FEMA did its best to spin opinion in its direction this time. They have the National Response Coordination Center, which, as the *New York Times* says, decides "where officials gather to decide where rescuers should go, where drinking water should be shipped, and how to assist hospitals that have to evacuate."

In other words, they tell people what to do. But who is actually doing the thing itself? The *Wall Street Journal* reports that Walmart “staffed up an emergency operations center at its headquarters last Thursday and began routing shipments of goods to 10 disaster distribution centers along the storm’s projected path. As the storm clears, Wal-Mart will dispatch trucks from the disaster warehouses to stores in the areas hit by the storm.”

Sandy was a less-deadly storm than it might have been because of such preparations. Can we get a round of applause for Home Depot, Walmart, Lowe’s, and the thousands of other retailers who made a difference this time around?

As well, how about a respectful nod to new commercial technologies. Even when the power failed, the cell towers still functioned. The 3G connections were going full blast while the lights were out. YouTube’s live-streaming technology allowed anyone to watch live reports on their smartphones. Instagram permitted live documentation of the entire storm, with ten images per second being posted. Reporters filed reports from their iPads even with massive power outages. This was the most-documented storm in the history of the world, all thanks to the market economy.

Then there’s the aftermath in which government suddenly discovers millions and billions of dollars available to shovel onto the cleanup and rebuilding efforts. Decades of experience show that average people see little of this money. Instead, it goes to government contractors and real estate developers and other preferred groups who are closely connected to politics. The money is taken away from the private sector when it is needed most and transferred to people who waste it on projects that the market may or may not value.

The process to get approved for postdisaster largess causes city and state governments to even delay private cleanup efforts. The political class discovers that it has every reason to make the mess look as bad as possible as long as possible, all in the hope of getting ever more money sent from the capital city to the affected area.

Another tendency is for government to enforce licenses on all service professionals. Want someone to cut down the tree or fix your plumbing or rewire your home? You had better choose someone with a license to do business or you will be in big trouble. Of course, this only discourages an influx of new service providers just when they are needed most.

In general, government sees every emergency has a power-grab opportunity. I get shivers down my spine just reading about FEMA’s wonderful plans to nationalize just about everything should the need present itself. If anyone

believes that martial law is out of the question under these conditions, he hasn't been paying attention to the police-state trends over the past decade. Weapons confiscations? It's going to happen if conditions get bad enough, as happened in New Orleans during the Katrina disaster.

Then there's the role of economists. It is inevitable that some find an upside to the destruction in a natural disaster, same as they find an upside to stimulus and inflation and war. "While natural disasters take a large initial toll on the economy," Moody's Ryan Sweet said on Economy.com, "they usually generate some extra activity afterward."

Yahoo Finance ran the most notorious example this time around, asserting that every act of destruction contains a multiplier that causes even more creation later.

For the umpteenth time, there is no upside to wealth destruction. But try telling that to the folks who calculate GDP. It is very likely that Sandy will be given credit for any fourth-quarter fake economic growth. After all, that's how government affects the GDP. The more it spends, the higher economic growth appears to be.

You need only look at the third-quarter 2012 GDP statistic that dominated the headlines last week. The government announced the thrilling news that the economy grew 2 percent. But Veronique de Rugy and Keith Hall of the Mercatus Center looked more carefully at the data to find that "all of the increase in GDP growth came from the biggest increase in federal government spending in over two years."

It turns out that government spending rose 9.6 percent at an annual rate in the third quarter. Hence the seeming boost to productivity. Never mind that the government has nothing that it doesn't take from somewhere else. Private sector growth rates actually fell in the third quarter compared with the second.

This is not economic growth. No matter how many economists tell us that the storm will inspire all kinds of new and wonderful things, the first impression will remain true. This storm has been a disaster and a serious blow to the economy when we least needed it.

At the same time, the storm should remind everyone who romanticizes about the wonders of nature that there is a more fundamental truth: the whole history of humanity has mostly consisted in finding ever-more-effective ways to diminish the nature's threat. First came shelter, then came clothes, then came tools to kill animals for our own use, then came transportation to overcome the limits of nature so that we could travel fast on land and water.

It's true with every advance: indoor heating, air conditioning, indoor plumbing, the washing machine, chemicals to kill pests, medical advances to keep killer bacteria at bay. To a very great extent, it is the struggle away from nature that defines the idea of progress. It is only once the elements have been mastered that we can afford to think of the environment around us as a friend.

These are things we can learn during times of natural disaster. They are the same things we should know before the natural disaster. Only people know what's best for themselves. Only markets can deliver goods and services. Only property owners know how to assess risk. As for politicians and bureaucrats, they care only about themselves.

Governments do vast damage in normal times, and vastly more precisely when it is commonly believed that they really need to act. In all times and places, people who are determined to build and sustain a life for themselves are inhibited only by the actions of powerful governments.

The people who are suffering through the aftermath of this storm are all being reminded that the political elites are not very useful in times of crisis, and, in fact, are frequently worse than useless. Storm preparation and storm survival is our job, not theirs.

64 Prohibition Lite Is Making RYO Cigarettes All the Rage

A month ago, I was sitting with some college students for lunch. After we ate, two of them took out loose-leaf tobacco and rolling papers, with filters and all. They started rolling cigarettes at the table. In some way, it looked more like poverty than a charming anachronism. Puzzled, I asked why they were doing this.

The answer was what I feared: Thanks to taxes, no student can really afford prerolled cigarettes anymore. You can avoid those taxes by rolling your own for a fraction of the price.

And so it has come to be. Students are equipping dorm rooms with rolling machines. Kids carry pouches and filters. They are only occasional smokers but they are serious about the art and technique of rolling.

It strikes me as very strange, like a reversal of time. It's one thing to do this as a hobby—people brew their own beer and even make their own cars—but as a necessity? Sadly, this is not just a fashion trend. It is a direct result of government policy that has effectively reversed the course of history.

An older man once told me that back in the 1930s, “ready roll” cigarettes brought a huge upgrade to his life—sort of like indoor heating, telephones in every home, and the electric icebox. Thanks to ready rolls, there was no more fussing with papers and spilling contents. How peculiar, then, that roll-your-own (RYO) has made such a roaring comeback today.

It's a forced result, something that would not have happened but for intervention. Was this what it was like to live in Cuba in the 1970s or Russia in the 1950s, places and times where cars and heaters had to be hacked just to keep from slipping further back in time? Is this all we are destined to do, hold desperately onto memories of a good life we once knew and hack our way toward survival?

Maybe it seems like a small sign, but there are just so many signs. It's hard to get even legal medications and so more people are relying on sketchy websites. Appliances like washing machines and dishwashers that once worked now have to be hacked up just to function. You can't buy a decent

gas can anymore. Proposed taxes on sugar, salt, and fat collectively seem like a move to outlaw birthday cakes. Are we going to have to get those from the darknet? And the tobacco example is not insignificant, either.

I decided to visit ground zero of the roll-your-own movement in my town, a small discount-tobacco store. Sure enough, half the products in the store were related to RYO cigs. There was a representative there from a company selling some impressive rolling equipment—an example of capitalism working even when the government tries to stop it. He demonstrated to me how the machine works. You put the paper and filler in the side and fill up the slot with tobacco. Then you turn the crank. Out comes the perfect cigarette.

He was also using pipe tobacco. When I asked why he was using this stronger stuff for cigarettes, he said it was a “special blend that is more economical.”

I looked at him with a knowing smile and asked, “Ah, you mean it is taxed at a lower rate? He smiled back, let his guard down, and said, “Precisely!”

He told me that taxes weren’t the only reason RYO was becoming more popular. Smokers believe RYO tobacco is healthier, he told me, since it doesn’t include the FDA-mandated chemical flame retardant—meant to keep tobacco from burning sofas and beds—that prerolled cigarettes do.

This began about four years ago. Reduced-fire-propensity cigs are now mandated in forty-three states. The added substance is EVA, a carpet glue. Many people report that it tastes awful. Others say that this stuff is more dangerous to ingest than the tobacco. The government doesn’t care. Cigarette makers go along.

I was stunned. We have heard about the dangers of smoking for a century. But what about the dangers of being looted and poisoned by bureaucrats? It seems like there ought to be warnings about this, too.

This glue revelation is exactly the sort of information you get from people within an industry, especially when the information has largely escaped public attention. These are the people who deal with regulators every day. And here it was, just another in the thousands and millions of petty regulations that are squeezing the life out of the market and the civilization it built and supports—just another mandate that leads to a mess.

After he had rolled a few of these cheaper, healthier cigarettes, he put them down. I was excited to actually smoke one as a way of testing the product. I started to reach while asking, since I naturally assumed that this was surely part of the demonstration. I figured it was just like the grocery store where the cook makes a dish and the customers sample it.

"I'm sorry, I can't let you smoke it," he said firmly. "Federal law doesn't allow it."

"Huh? It is right here, right in front of me, about six inches from my fingers right there on the plate. You are telling me that if I pick that up and light it, you will have broken a federal law?"

"That's exactly right," he said. "I'm not allowed to distribute tobacco products. I'm only allowed to demonstrate my machine here."

I just couldn't believe it. I kept pressing: but this product is right here, right in front of me, and you want me to test it. I want to test it. I only need to pick it up. And yet we can't let this happen because of some law passed a thousand miles away from here?

Confirmed.

I'm stunned again. The laws are insane. Surely people are breaking them every day.

Then I recalled a recent study by Michael LaFaive and Todd Nesbit for the Mackinac Institute, which pointed out that "between January 2007 and 2009, 21 of the 48 contiguous states—including tobacco state North Carolina—raised their cigarette taxes, producing a total of 27 tax hikes."

Sure enough, this tax increase has caused an explosion in cigarette smuggling. In Arizona, for example, more than half the cigs smoked there are actually smuggled in. We are also seeing a huge rise in crime: hijackings of tobacco trucks, tobacco-store break-ins, muggings of people trying to deliver or take away cigarettes.

I spoke at length to the nice people at the tobacco discount store about this, and, sure enough, they had some pretty alarming tales of theft, violence, frenzy, riches, and law breaking. The whole thing seemed like a scene out of the 1920s with speakeasies, bootleggers, and enforcement agents—complete with the tobacco equivalent of bathtub gin.

Markets will not be stopped, no matter how much force the rulers use. Look at the amazing innovation of the e-cigarette. As a piece of technology, it's remarkable. But this innovation was probably prompted by the crackdown on the real thing. Now, of course, the regulators are after the e-cigs, too.

At the end of my visit, having heard a whole series of cockamamie stories about the derring-do world of tobacco distribution, I could only summarize by observing: "This is one crazy country." They all readily agreed and I waved goodbye.

You might think it doesn't matter. You don't smoke. Well, consider this fact: Cigarettes are the single-most-traded item in the world. Does it matter that government is doing this to a four-hundred-billion-dollar industry?

Absolutely. If they can drive even cigarette production to these depths, they can do it to anything.

Whether they are reading your email, listening to your phone calls, or driving you to roll your own, it's all part of the same oppression.

65 The State of Economic Freedom

The great news for humanity: Economic freedom around the world is on the rise. This means liberation for millions and billions of people. What a change from twenty years ago, when so many lived under despotism and socialist slavery. These people are freer, and getting freer. More people avail themselves to the global division of labor than ever before. Poverty, hunger, and violence are falling. Technology is linking people as never before. The future is bright.

All of this information comes from one of my favorite ongoing projects: Economic Freedom of the World, an annual index that attempts to quantify what really matters in this world. It tries its best to assemble as much of the data available and keep the quantification methods consistent year by year, so we can gain a better picture of the trends.

This index lists countries by most to least free, using every available objective criterion. Are people free to make contracts, keep what they earn, use a sound currency, rely on some degree of legal stability, trade internationally, associate as they please toward their mutual well-being? The more people can do this, the higher their countries rank on the scale. The more that government interferes with their lives, the lower on the scale they rank.

Here is the executive summary of this point from this year's report:

- Nations in the top quartile of economic freedom had an average per capita GDP of \$37,691 in 2010, compared to \$5,188 for bottom quartile nations in 2010 current international dollars
- In the top quartile, the average income of the poorest 10 percent was \$11,382, compared to \$1,209 in the bottom in 2010 current international dollars
- Interestingly, the average income of the poorest 10 percent in the most economically free nations is more than twice the overall average income in the least free nations.

- Life expectancy is 79.5 years in the top quartile compared to 61.6 years in the bottom quartile
- Political and civil liberties are considerably higher in economically free nations than in unfree nations.

What is the relationship between freedom and prosperity? They are directly related. If this index doesn't prove it to a person's satisfaction, nothing on this earth will prove the point.

We think we live in the age of science. Maybe so. But ideology remains more powerful. Otherwise, we would see a gigantic rush the world over to free the market, and fast. It's the path to prosperity, peace, and human flourishing. Even if you don't understand the logic, you can at least look at the numbers. You have to postulate an amazing number of coincidences to come up with any other explanation for why freedom is associated with prosperity and despotism is associated with poverty.

This year's report contains a real shocker when it comes to the United States. We aren't just slipping on the index. We are falling off a cliff. In many parts of the world, life is freer. Not in the "land of the free." Not by a long shot. What this report says about the United States should be front-page news. Instead, it has received barely any attention at all.

The long and short of it:

The United States, long considered the standard-bearer for economic freedom among large industrial nations, has experienced a substantial decline in economic freedom during the past decade. From 1980 to 2000, the United States was generally rated the third-freest economy in the world, ranking behind only Hong Kong and Singapore. After increasing steadily during the period from 1980 to 2000, the chain-linked EFW rating of the United States fell from 8.65 in 2000 to 8.21 in 2005 and 7.70 in 2010. The chain-linked ranking of the United States has fallen precipitously from second in 2000 to eighth in 2005 and nineteenth in 2010 (unadjusted ranking of eighteenth).

One might think that it would bug people that Canada is now a more-economically-free nation than the United States. Remember how Finland was supposed to be ruled by muddle-headed socialists? No more. It ranks higher. So do Chile, New Zealand, and Australia. So do Ireland, Denmark, and the United Kingdom. It goes without saying that Hong Kong and Switzerland beat the United States. But so do Qatar, the UAE, and Bahrain.

The question is why. The United States fell in every area. Regulation is more intense. There are more trade barriers. Property rights are less secure.

Government is much larger. Money is not sound either, but the report gives a good grade here only because of the method of quantification. They look only at official rates of inflation so that there are accurate data across many countries. If you look under the hood at US monetary policy, you can see that we are headed for a devastating fall in this area too.

What is the main reason for the fall of the United States? Property rights are less secure. As the authors say, “While it is difficult to pinpoint the precise reason for this decline, the increased use of eminent domain to transfer property to powerful political interests, the ramifications of the wars on terrorism and drugs, and the violation of the property rights of bondholders in the bailout of automobile companies have all weakened the United States’ tradition of the rule of law and, we believe, contributed to the sharp decline.”

We’ve all sensed this. We see evidence all around us. But even so, it can be difficult to process intellectually. We are born to believe that we live in the land of the free. As much as we regret many of the things we see, we don’t want to make any fundamental adjustments in our outlook for the future. We want to believe that our freedom is somehow divinely protected and, despite all political trends, essentially unalterable.

This report puts us on notice. We have to come to terms with the realities. It is going to get worse before it gets better. We live in a digital age, surrounded by miracles. But those miracles are coming to us not because of anything our government is doing. We are dependent so much on the freedom that exists and grows outside our borders.

A major advantage that formerly poor countries have is that they don’t have to deal with the rotting industrial-age infrastructure that plagues the United States and Europe. They don’t have an antique grid and their economies are not saddled with endless and entrenched public-private partnerships and central plans like the federal code. They can leapfrog the industrial age and move right to the digital age. It’s a beautiful thing to behold.

Someone who looked at this report asked me a question. Is it time to start thinking of sending my kids abroad? The answer, I believe, is yes. Going abroad provides an important cultural education. But nowadays, we are really talking about the future itself. They may have to emigrate for economic opportunity. We all might have to.

But where? Looking at the index, Canada is looking better all the time. So is New Zealand. China ranks low overall, but sectors of China like Shanghai are extremely free by any international comparison. There is also Latin America. Nicaragua, for example, ranks very high and is rising year after year. It’s the trend line that matters.

66 Rachel Carson and the Bed Bugs

A month ago, a family I know returned from a trip in which they stayed in an ordinary hotel off the interstate in Virginia. They arrived late and left the next morning. The parents slept in the bed while the kids slept on the sleeper sofa. The kids had red welts all over their faces and backs the next day.

The parents had no idea what the red marks were. They were gone in a few days. In the meanwhile, they looked it up and found what many Americans are discovering day by day. This country is being overrun with bedbugs. The reports began trickling in about eight years ago. Three years ago, the sightings were common enough to make the headlines.

When the reports of bedbug infestation first came along, it was all rather shocking. Bedbugs had been eradicated, so far as anyone knew, sometime after World War II, in both the United States and Europe. It was a major advance for civilization, a bedbug-free life.

Generations knew nothing of these ghastly creatures that come out at night, inject numbing poison so that you don't feel them, feast on your blood as you sleep, and then sneak away again in the morning gorged and bloated at your expense.

The reason for the eradication? DDT, the lifesaving insecticide discovered by Swiss chemist Paul Hermann Müller, who received the Nobel Prize in 1948 for having saved millions from malaria. DDT was the miracle drug that gave mankind a fighting chance against its great enemies in the insect world.

Recall that it was insects that carried the diseases that several times wiped out major swaths of the world's population in the Middle Ages. Gradually over the centuries, as sanitation improved, prosperity rose, the swamps were drained, and medical science discovered the cause of the yellow fever, the plagues diminished and were finally controlled. DDT delivered that final glorious blow, to the wild cheers of a world in love with progress and confident in humanity's capacity to control its future.

Then sometime in the 1960s, all that began to change. There was a dramatic shift in the philosophy of government and in popular culture. The landmark book that appeared fifty years ago this week was *Silent Spring* by

popular writer Rachel Carson. The purpose of the book was to ban DDT. But there was more going on: the advance of a philosophy that turned everything on its head.

Carson decried the idea that man should rule nature. “Only within the moment of time represented by the present century has one species—man—acquired significant power to alter the nature of the world.” This anthropocentrism she decried.

She suggested that killing a bedbug is no different from killing your neighbor: “Until we have the courage to recognize cruelty for what it is—whether its victim is human or animal—we cannot expect things to be much better in this world. . . . We cannot have peace among men whose hearts delight in killing any living creature.”

In fact, she spoke of animals in patently untrue ways: “These creatures are innocent of any harm to man. Indeed, by their very existence they and their fellows make his life more pleasant.”

I guess she never heard of the Black Death.

In short, she seemed to suggest that bedbugs—among all the millions of other killer insects in the world—enjoy some kind of right to life. It was a theory that could be embraced only in a world without malaria and bedbugs. But embraced it was. By 1972, DDT was banned. And not only DDT. The whole enterprise of coming up with better and better ways to further human life and protect its flourishing was hobbled.

Even now, there are pesticides that were available only five years ago that have disappeared from the shelves. You can buy and buy, spray and spray, but find that you can control the bugs only a bit, not finally. Even now, the typical suburban house dweller and summer-home tourist imagines that pesticides constitute a greater threat than insects, and they will tell you this while swatting mosquitoes off their faces.

Today, the Bed Bug Registry logs anywhere from thirty to a hundred new reports of bedbugs per day, and this must be a small fraction. How many people who deal with this problem never think to go to the Internet to log their experiences?

Here is a report just grabbed at random from San Francisco yesterday:

We have lived here for seven months. Starting in March 2011, we noticed we first had bedbugs. We washed and packed up everything right away and left it that way for six weeks during extermination. That whole process did nothing and we ended up with bedbugs again after two weeks. Finally, by June, we stopped getting bitten. We thought everything was OK until a neighbor at the end of the hall

told us they had had bedbugs three or four times in the past two years and that they need to be sprayed every few months (and were in the process of getting sprayed again). A few weeks after hearing that, two new people moved in next door to us and told us they had bedbugs as well. We now have bedbugs AGAIN!! The management has agreed to exterminate, but only when the two neighbors next door were ready as well “so that we could get it all done in one shot.” It’s disgusting to see that this building is still operable. There is CLEARLY a HUGE problem and the building needs to be condemned. This is a totally uninhabitable place to live!!

In this one report, you can see the problem. Getting rid of bedbugs is very expensive. There are multitudes of companies that promise to do this, but they are forbidden from using serious chemicals on them. DDT is out of the question. And there is no way to know if they really succeeded in the end, since bedbugs can lay dormant for a year before coming out again at night. The sheer terror that they might reappear can cause insomnia and even insanity—and I can fully see why.

So contrary to Rachel Carson, you don’t sleep better knowing that the bedbugs are enjoying their right to life at your expense. In the end, it is them or us. Their bloated and red bodies appear that way only thanks to your blood, which they have stolen like thieves in the night.

The bedbug problem in this country is epidemic compared with two decades ago. And it is getting worse. And strangely, in the meanwhile, the whole subject has fallen out of the national news. It appears sometimes in local papers, but there is no national controversy about this. A pest that vexed the whole history of humanity and was smashed within the last century has reappeared, a fitting symbol of our regression into decivilization with the advent of a humanity-hating regimentation that protects the physical integrity of swamps and uses the power of government to uphold the rights of insects to live and thrive at our expense.

Instead of alerting us to the bedbug epidemic, what do the media focus on? The pious lovers of nature are right now celebrating their modern saint, Rachel Carson, the woman who manufactured the allegory that drives the decivilizing policies of our time.

Most everyone recognizes that the scientific specifics of Rachel Carson’s *Silent Spring* are dated at best, and often wholly fabricated. What stuck was the narrative: If people thrive, nature dies, and that harms all of us spiritually. Therefore, the story goes, we’d better stop all this stuff about economic progress.

To see our possible future does not require imagination. Look at the situation with malaria around the world today. It is a wholly preventable disease, provided that we want to prevent it. But with the banning of DDT, here is the situation, according to the truth-telling website RachelWasWrong.org:

Malaria is often a fatal disease caused by a protozoan that is transmitted to humans via mosquito bites. According to the World Health Organization, malaria kills more than a million people a year—mostly children—and makes more than 300 million seriously ill. Ninety percent of malaria's victims live in Africa, and most of them are children under the age of five. In Africa, one in 20 children dies from malaria, according to one estimate. The malaria death toll is equivalent to about 3,000 children dying from the disease a day—which amounts to one child dying every 30 seconds.

There is no shortage of websites run by greenheads who imagine that bedbugs can be controlled by airing out mattresses, washing sheets, or using Tarot cards, or whatever. It's all nonsense. There is a chemical you can use, but it is not approved for indoor use.

In other words, you are going to have to break bad to do this. You can't even get it at your local big-box hardware store, because they fear carrying it. It is called malathion. You can still buy it from Amazon and other online dealers. If you have a bedbug problem, load up on this stuff while you can. Even if you don't have a problem, it is not a bad idea to prepare.

I'm not at all surprised at the rise of popular culture memes about vampires sucking blood and zombies eating brains. Why are these tropes being trotted out again and why do they tap into our cultural moment in such a penetrating way? Perhaps it is because we are living in the age of real-life vampires and zombies, symbolized most commonly by the bedbug epidemic, but ultimately embodied in the ruling class that lives off the proceeds of our labor and banishes intelligence by the promotion of policies that promote the well-being of things that destroy us, rather than the things like private capital that give us life.

67 The Fast-Food Path to Skinny?

In Mao's Great Leap Forward of 1958, and then the Cultural Revolution of 1966 and following, millions suffered persecution and death. Collectivized land led to an extreme livestock shortage.

Those who survived faced famine. Living things in general were disappearing. All forms of oil had vanished. If there was food to be had, it had to be cooked without any oil.

After reading about that, I became very conscious of the oil in my cooking. Not to use any . . . unthinkable. I'm not even sure how that would work. Ever since then, I've never looked at a greasy burger with disdain. Those airport nachos are a blessing. I'll never sneer at the oily breakfast from Waffle House.

Yet the falling leaves of autumn have again set off the great bourgeois anxiety of our age: the need to lose weight. Everyone is on a diet. By the age of fifty, according to Gallup, a third of people have tried half a dozen. It's nearly impossible to hold a dinner party anymore. You have to provide special meals for every guest in order to comply with detailed dietary instructions.

As the year goes on, the anxiety only gets worse: Halloween candy, Thanksgiving gorging, Christmas pies, cakes, and cookies. The cycles of use, abuse, guilt, and penance are all part of the season, experienced by nearly everyone.

The issue of widening girth won't go away. In international comparisons, the United States wins the competition hands down as the most obese big nation on the planet. It is the ultimate first-world problem, but it is still embarrassing. Human history seen through the largest lens is about the struggle to get enough to eat. That's not an issue anymore in the United States.

In some ways, this should not surprise anyone. We are awash in cheap food. The farm life of daily toil is long gone for nearly everyone, but we still think in terms of three meals a day. We go from the bed to the car to the office chair and back again. If we get exercise, we have to manufacture it by joining clubs, scheduling time, joining groups, and the like.

Government is now involved in supposedly fighting the problem. It was once a public policy priority to bring food to the hungry. A chicken in every pot. Now the government is more interested in taking chickens out of the pot.

New York City is on the cutting edge, banning sodas of a certain size and restricting the use of trans fats because the politicians know what is good for us.

There is still a refusal to admit that government itself contributed to the problem with its national diet from 1977, the one that put down the things that everyone today says is the key to staying thin in a sedentary world and pushing the very stuff that experts say make us fat. Government told us to stop eating beef and eggs and start eating more biscuits and pasta. If we did eat meat, it should be drained dry. Shock: We ballooned.

The official government guidelines provided a policy infrastructure that set the stage for the growth in obesity. The war on meat, eggs, and cheese was on, and the boosting of bread and starch began.

Interesting, isn't it? We were being urged to adopt the diet imposed on the Chinese people during times of famine, yet do it through legislative prodding and hectoring by bureaucrats.

Even today, everyone is happy to blame fast food for all dietary problems. It's a conspicuous target, but it is not the problem. I'm a huge admirer of McDonald's as an enterprise (it never stops reinventing itself!) and as a curator of great food. Its hamburgers alone wrap the glories of world trade and market production in a tiny package for us . . . and sell it for couch change.

The film *Fat Head* brilliantly fights back against the anti-fast food frenzy with a defense of the freedom to eat what you want and sets out to prove that one can lose weight on fast food. Director Tom Naughton ate normal amounts of food at McDonald's for thirty days, cutting down on fries and periodically tossing the muffin part of the Egg McMuffin. He also doubled his walking daily. At the end of the experiment, he had lost twelve pounds.

In the course of the film, he shows that everything the government thought was right in the 1970s turned out to be wrong. Politicians had latched onto a fad and codified it into law. Of course, dietary fads come and go every few months as part of the free market's normal process of trial and error, learning and development. Government stops this process in its tracks with its policies that feign scientific omniscience.

Consider the issue of corn syrup as the great replacement for sugar. Since 1980, this has been the sweetener used in the United States. The decision was purely economic. Sugar became too expensive relative to heavily subsidized American corn. Other drink makers followed. Today you have to look long

and hard to find a bottled or fountain drink that doesn't use some variety of corn syrup, instead of sugar. Some bottlers are taking steps in this direction but at great expense.

How did this happen? Sugar tariffs. The American sugar lobby conspired with the corn lobby to push lawmakers into tipping the scales in favor of their own economic interests. In a free market, sugar would cost far less. As Professor Mark Perry explains:

If sugar quotas were eliminated, and American consumers and business had been able to purchase 100 percent of their sugar in 2011 at the world price (average of 31.68 cents per pound), instead of the average U.S. price of 56.22 cents, they would have saved about \$3.86 billion. In other words, by forcing Americans to pay 56.22 cents for inefficiently produced domestic sugar instead of 31.68 cents for more efficiently produced world sugar, Americans pay an additional 24.54 cents per pound for the 15.76 billion pounds of American sugar produced annually, which translates to \$3.86 billion in higher costs for American consumers and businesses.

In other words, you are getting ripped off. The use of corn as a sweetener is a result that is being brought about by public policy priorities. It's not what Coca-Cola would choose to do if the market prevailed, and the proof is as close as your local Mexican grocery that delivers Coke with real sugar.

What effects might this have on American diets? As the lead researcher in a 2010 Princeton University study involving rats argued: "Some people have claimed that high-fructose corn syrup is no different than other sweeteners when it comes to weight gain and obesity, but our results make it clear that this just isn't true, at least under the conditions of our tests." They found that "excessive consumption of high-fructose corn syrup found in many beverages may be an important factor in the obesity epidemic."

Bingo. But let's say that this emerging wisdom is flat-out wrong, that corn syrup makes no great contribution to obesity relative to what real sugar would do. Fine. Why not a level playing field? Why do we have government, on the one hand, boosting a product that contributes to obesity and, on the other, centrally planning our diets with the goal of having us lose weight?

It is a classic case of the problem of all intervention. Government presumes to know what it can't know. It overrides market preferences. This produces unanticipated consequences. Government steps in again to fix the new problems while creating yet-another round of problems that cry out for a solution. The big cost here is freedom itself: the freedom to eat and to trade and to work out our own solutions for our lives based on trade and discovery.

If this pathetic history proves anything, it is that you can't trust government to tell you what you should or should not put in your pie hole. Yet we inadvertently defer to them every day, even without knowing it.

Now, please excuse me while I order up a double-meat Quarter Pounder, dripping with yummy cheese. I'll defy the politicians with every bite.

68 Smartphone, Dumb Government

Google's new Motorola unit had great ambitions to serve customers and keep dazzling us with ever-more-spectacular things that enhance our lives. After all, the smartphone is easily the greatest consumer innovation of our time, and maybe of all time. It accomplishes amazing feats in a tiny package and represents a greater achievement of the human mind than anything accomplished by government, ever.

The smartphone is really misnamed in so many ways. Depending on apps and extensions, it provides maps and global positioning, checks your blood pressure, becomes a musical instrument, allows you to buy and sell stocks from the middle of nowhere, to enjoy video chats with people from all over the world, to assemble friends and networks, and to keep up with and send messages to anyone.

It allows me to make my own movie on the fly and broadcast it out to billions in a matter of minutes. I can record a song. I can immediately make anything happening in front of me become a live stream to the whole world, and do this without paying any expensive fees. I can conduct an interview and archive it on my own channel, which I can create in a few seconds. Or of course, I can play one of thousands of games.

It's a calculator, an email checker, a weather updater, a camera, a Web browser, a news reader, a complete stereo system, a book reader, a translator, a scanner, and a miniature everything all in a thing the size of a deck of cards that is half as thick. The innovations pour into this tiny miracle by the day, by the hour, even. And it's only begun: the app economy holds out the promise of astonishing innovation down the road.

I recall many times suggesting to people that they replace their old cell phone (which itself is a great gizmo, given that only the richest of the rich could afford such a thing in the 1980s) with a smartphone. They demur and refuse and finally give in, and only then do they realize what they've been missing. It's a revelation, a childhood dream come true.

So what does Google plan to do with its new Motorola acquisition? Serve up some more wonderfulness to a public ready to be amazed again? Not yet.

Its first step was to file a massive lawsuit against iPhone. And why? You guessed it: patent infringement. Google claims that Apple has stolen some of Motorola's technology.

Apple has systematically refused to enter into any reasonable licensing deals, which is exactly the same behavior that Samsung faced before. And Google is not stupid. The whole world was watching that lawsuit that Apple filed against Samsung, and saw how a tired, confused, and technologically dumbfounded jury, in a courtroom ten miles from Apple's headquarters, agreed to a one-billion-plus-dollar judgment against Samsung.

Google won't just take this lying down. It decided to act first rather than risk that kind of aggressive attack. It is asking the International Trade Commission to start blocking all imports of iPhones, iPads, and iPod Touch. Crazy, right? Does Google hate our guts that it would seek such a result? After all these years of desperately serving the Web-surfing world, giving us amazing tools for free and revolutionizing the world of advertising, has it now decided to spread misery to the American public?

Nope, it's all about defending itself against aggressive attack. What the jury did in the case of Apple v. Samsung has set off a deadly arms race. An industry that became thrilling and gigantic, and has brought unprecedented progress, is now entering into a dangerous period in which dogs really do eat dogs, where one company's win is another's loss, and where the welfare of the consumer has to be put on hold for the battle of the titans.

The problem comes down to one word: patent. In the 1980s, patents were extended to cover software. This was the beginning of what would become a catastrophic regulatory thicket that would ensnare every producer and where the lawyers would make out like bandits no matter who won.

When patents first came along in history, they were monopoly privileges granted by the crown in exchange for political subservience. This was the age of mercantilism, and it gradually led to the age of capitalism, in which trade barriers, taxes, and regulations fell. The slogan was *laissez-faire*, or, leave commerce alone to manage itself. Government can't improve on the results of the market process.

The patent today is a holdover from the precapitalistic age. It was not very controversial before the digital age, because economic progress was relatively slow and patents expire and because the patents didn't apply to most of the important consumer products we use every day. But the problem with them has always been the same: by granting a right of exclusive production to one firm, patents attack the competitive process at its very root.

The competitive process takes place over several phases, which constantly overlap. There is innovation (always an extension of what came before). Then with innovation can come a period of profitability. This profitability attracts other producers to the industry who innovate further and try to improve the good or service. The initial producer then has to scramble to maintain market share, and it does so through innovation and price cuts.

Note that the whole system is based on the ability to learn from others. Good companies emulate the successes of others, avoid their mistakes, and improve what exists at the margin. That's the essence of economic progress. This is how competition results in the biggest-conceivable boon for consumers.

As Steve Jobs said in 1994, "We have always been shameless about stealing great ideas." So it has been for every great painter, poet, and entrepreneur. They build on what came before. I take issue only with the use of his word "steal." When you copy an idea, there is not a thief and a victim, but two ideas. This idea-copying process extends to infinity.

Who in the business world likes the idea of competition? The startups like it. The innovators like it. Young companies seeking to change the world like it. Competition gives them an opportunity to make a difference and build wonderful things. But older companies do not like it. Once they get on top, they would much rather rest on their laurels.

In a market, they cannot rest. But with patents, they can sue. They can use the tools of government to clobber their competition. If it works, they can receive what amounts to a bailout. To win a patent suit against the competition is no different from getting a tariff erected against imports, having your insurance company get a huge cash infusion from the Department of the Treasury, or for a labor union to block low-price workers from entering the market.

The real story of Apple's attack on Samsung is told in the numbers. Apple has been dramatically losing market share to the competition. That's no surprise: The first to market experiences a period of profitability above the average rate of return. But then others emulate and improve at the margin. Prices fall, service improves, and great things happen for everyone except the former industry leader.

Patents are an occasion of sin. They tempt business to go to government to smash their competition, instead of turning to more-innovative strategies to attract consumers. This is why industries without patents are so vibrant. Patents don't apply to fashion, recipes of all your favorite meals, to plays in sports, and to most things we use and love.

I can hold up my Walmart navy blazer and one from Burberrys and, from a distance of three feet, you couldn't tell much difference. But both manage to exist side by side in peace, and everyone wins. But the jury in the Apple v. Samsung case looked at the two phones and said: oh these are really too similar, so one has to go!

Patents established government-protected monopolies. Ironically, other divisions of government claim to intervene in markets to bust up monopolies and divide up market share. Either way, the government is doing central planning by picking winners and losers in the marketplace rather than let the competitive process play itself out.

What happened to Apple really amounts to a government-sponsored bailout, no different from that won by AGI in 2008. But do we recognize it as such? Probably not, because the whole racket is couched in the language of a law that few people understand or question.

69 Kill Private Capital, Kill Civilization

Capitalism and entrepreneurship make all the difference in the world. Whether a country is rich or poor depends on both. The evidence is all around us, and the explanations are a click away.

Anthony Bourdain is a fascinating person, a great chef and also a world traveller. He has his own show called *No Reservations*, and one of my favorite episodes is the one he did on Haiti. He draws attention to some remarkable realities of the poverty in this country. It does not result from lack of imagination, from lack of trade, from lack of work. The problem is more fundamental.

I had heard that the show offered unique insight into the country and its troubles. I couldn't imagine how. But it turns out to be true. Through the lens of food, we can gain an insight into culture, and from culture to economy, and from economy to politics and finally to what's wrong in this country and what can be done about it.

Through this micro lens, we gain more insight than we would have if the program were entirely focused on economic issues. Such an episode on economics would have featured dull interviews with Treasury officials and IMF experts and lots of talk about trade balances and other macroeconomic aggregates that miss the point entirely.

Instead, with the focus on food and cooking, we can see what it is that drives daily life among the Haitian multitudes. And what we find is surprising in so many ways.

In a scene early in the show set in this giant city after the earthquake, Bourdain and his crew stop to eat some local food from a vendor. He discusses its ingredients and samples some items. Crowds of hungry people begin to gather. They are doing more than gawking at the camera crews. They are waiting in the hope of getting something to eat.

Bourdain thinks of a way to do something nice for everyone. Realizing that in this one sitting, he is eating a quantity of food that would last most Haitians three days, he buys out the remaining food from the vendor and gives it away to locals.

Nice gesture! Except that something goes wrong. Once the word spreads about the free food—word of mouth in Haiti is faster than Facebook chat—people start pouring in. Lines form and get long. Disorder ensues. Some people step forward to keep order. They bring belts and start hitting. The entire scene becomes very unpleasant for everyone—and the viewer gets the sense that it is worse than we are shown.

Bourdain correctly draws the lesson that the solutions to the problem of poverty here are more complex than it would appear at first glance. Good intentions go awry. They were thinking with their hearts instead of their heads, and ended up causing more pain than was originally there in the first place. From this event forward, he begins to approach the problems of this country with a bit more sophistication.

The rest of the show takes us through shanty towns, markets, art shows, festivals, and parades—and interviews all kinds of people who know the lay of the land. This is not a show designed to tug at your heartstrings in the conventional sort of way. Yes, there is obvious human suffering, but the overall impression I got was not that. Instead, I came away with a sense that Haiti is a very normal place not unlike all places we know from experience, but with one major difference: it is very poor.

By the time the show was made, the glamor of the postearthquake onslaught of American visitors seeking to help had vanished. One who remains is actor Sean Penn. Although he's known as a Hollywood lefty, he's actually living there, chugging up and down the hills of a shanty town, unshaven and disheveled, being what he calls a "functionary" and getting stuff for people who need it. He had no easy answers, and he had sharp words for American donors who think that dumping money into new projects is going to help anyone.

The people of Haiti in the documentary conform to what every visitor says about them. They are wonderfully friendly, talented, enterprising, happy, and full of hope. Like most people, they hate their government. Actually, they hate their government more than most Americans hate theirs. Truly, this is a precondition of liberty. There is a real sense of us versus them alive in Haiti, so much so that when the presidential palace collapsed in the recent earthquake, crowds gathered outside to cheer and cheer! It was the one saving grace of an otherwise terrible storm.

With all these enterprising, hardworking, and creative people, millions of them, what could possibly be wrong with the place? Well, for one thing, the earthquake destroyed most homes. If this had been the United States, this earthquake would not have caused the same level of damage. This led

many outsiders to think that somehow the absence of building codes was the core of the problem, and hence the solution is more imposition of government control.

But the reality shows that this building-code notion is some sort of joke. The very idea that a government could somehow go around beating up people who provide shelter for themselves while failing to obey the central plan is simply laughable. Coercion of this sort would bring about no positive results and lead only to vast corruption, violence, and homelessness.

The core of the problem has nothing to do with a lack of regulations. The problem is the absence of wealth. It is obviously true that people prefer safer places to live, but the question is: what is the cost, and is this economically viable? The answer is that it is not viable, not in Haiti, not with this population that is barely getting by at all.

Where is the wealth? There is plenty of trade, plenty of doing, plenty of exchange, and money changing hands. Why does the place remain desperately poor? If the market economists are correct that trade and commerce are the key to wealth, and there is plenty of both here, why is wealth not happening?

One can easily see how people can get confused, because the answer is not obvious until you have some economic understanding. A random visitor might easily conclude that Haiti is poor because somehow the wealth is being hogged by its northern neighbor, the United States. If we weren't devouring so much of the world's stock of wealth, it could be distributed more evenly and encompass Haiti too. Or another theory might be that the handful of international companies, or even aid workers, are somehow stealing all the money and denying it to the people.

These are not stupid theories. They are just theories—neither confirmed nor refuted by facts alone. They are only shown to be wrong once you realize a central insight of economics. It is this: trade and commerce are necessary conditions for the accumulation of wealth, but they are not sufficient conditions. Also necessary is that precious institution of capital.

What is capital? Capital is a thing (or service) that is produced not for consumption but for further production. The existence of capital industries implies several stages of production, or up to thousands upon thousands of steps in a long structure of production. Capital is the institution that gives rise to business-to-business trading, an extended workforce, firms, factories, ever more specialization, and generally the production of all kinds of things that by themselves cannot be useful in final consumption but rather are useful for the production of other things.

Capital is not so much defined as a particular good—most things have many varieties of uses—but rather a purpose of a good. Its purpose is extended over a long period of time with the goal of providing for final consumption. Capital is employed in a long structure of production that can last a month, a year, ten years, or fifty years. The investment at the earliest (highest) stages has to take place long before the payoff circles around following final consumption.

In a developed economy, the vast majority of productive activities consist in participation in these capital-goods sectors and not in final-consumption-goods sectors.

Many people (I've been among them) rail against the term capitalism because it implies that freedom is all about privileging the owners of capital.

But there is a sense in which capitalism is the perfect term for a developed economy: the development, accumulation, and sophistication of the capital-goods sector is the characteristic feature that makes it different from an undeveloped economy.

The thriving of the capital-goods sector was the great contribution of the Industrial Revolution to the world.

Capitalism did in fact arise at a specific time in history, as Mises said, and this was the beginning of the mass democratization of wealth.

Rising wealth is always characterized by such extended orders of production. These are nearly absent in Haiti. Almost all people are engaged in day-to-day commercial activities. They live for the day. They trade for the day. They plan for the day. Their time horizons are necessarily short, and their economic structures reflect that. It is for this reason that all the toil and trading and busyness in Haiti feels like peddling a stationary bicycle. You are working very hard and getting better and better at what you are doing, but you are not actually moving forward.

Now, this is interesting to me because anyone can easily miss this point just by looking around Haiti where you see people working and producing like crazy, and yet the people never seem to get their footing. Without an understanding of economics, it is nearly impossible to see the unseen: the capital that is absent that would otherwise permit economic growth. And this is the very reason for the persistence of poverty, which, after all, is the natural condition of mankind. It takes something heroic, something special, something historically unique, to dig out of it.

Now to the question of why the absence of capital.

The answer has to do with the regime. It is a well-known fact that any accumulation of wealth in Haiti makes you a target, if not of the population

in general (which has grown suspicious of wealth, and probably for good reason), then certainly of the government. The regime, no matter who is in charge, is like a voracious dog on the loose, seeking to devour any private wealth that happens to emerge.

This creates something even worse than the Higgisian problem of “regime uncertainty.” The regime is certain: it is certain to steal anything it can, whenever it can, always and forever. So why don’t people vote out the bad guys and vote in the good guys? Well, those of us in the United States who have a bit of experience with democracy know the answer: there are no good guys. The system itself is owned by the state and rooted in evil. Change is always illusory, a fiction designed for public consumption.

This is an interesting case of a peculiar way in which government is keeping prosperity at bay. It is not wrecking the country through an intense enforcement of taxation and regulation or nationalization. One gets the sense that most people never have any face time with a government official and never deal with paperwork or bureaucracy really. The state strikes only when there is something to loot. And loot it does: predictably and consistently. And that alone is enough to guarantee a permanent state of poverty.

Now, to be sure, there are plenty of Americans who are firmly convinced that we would all be better off if we grew our own food, bought only locally, kept firms small, eschewed modern conveniences like home appliances, went back to using only natural products, expropriated wealthy savers, harassed the capitalistic class until it felt itself unwelcome and vanished. This paradise has a name, and it is Haiti.

70 You Will Be Betrayed

My neighborhood is filling up with political yard signs. Vote for this guy! Vote for that guy!

I can't understand why people are willing to give up precious real estate on their front lawns, make friends mad at them, and put their own credibility on the line to back some politico who will certainly betray them in a matter of weeks. The con men who people cheer in politics have done little or nothing to deserve this kind of public support.

My neighborhood forbids commercial advertising on the front lawn, but the code makes an exception for politicians running for office. If anything, it should be the opposite. Commerce serves me every day. I feel genuine gratitude for these companies who give me great products and services, always keep their promises, and never force anything on me.

Every day we all vote in the consumer marketplace. We buy or decline to buy. We do this by choice. Our choice makes a difference. How we use money determines which companies rise and which ones fall. Unless government jumps in to put companies on life support, consumers themselves can vote any company into nonexistence simply by failing to buy its products and services. Ludwig von Mises described this as market democracy. It is the only kind of democracy that really works.

Let me give an example. I love this juice from Bolthouse Farms, a company in Bakersfield, Calif. They have these drinks made of fruits that are absolutely delicious. The one I drank today is pomegranate. But there are many other flavors, like wild berry, strawberry banana, carrot, and even chocolate. I get a great drink and don't have to grow pomegranates, cut them open, pick out the seeds, and walk around with red-stained hands all day.

If someone would let me post a Bolthouse Farms sign on my front yard, I'd be all about it!

There are thousands, millions, of private companies that directly benefit me every day. I'm nuts for McDonald's, which keeps reinventing itself in the most marvelous ways. But I also love the pizza joint I will go to today for lunch. They greet me at the door. They give me a lunch special and let me choose

what kind of dressing I want on my salad. They will serve me a yummy beer from the tap, and I can choose among many brands. My pizza has tomatoes, wheat, and pepperoni, and the creation of all these ingredients involved the productive works of many thousands of people in many different countries.

And it all lands in front of me in a matter of minutes at a very low price. Then they thank me for coming in.

And if I decide that I don't want to go there for lunch, they don't call the cops and drag me in. They try to do an even better job to attract me back. And when I return, they welcome me back to the fold and don't resent me or call me a traitor for failing to show up for a few days.

What I need is a Brick Oven Pizza sign for my front yard. This one company has done more for me than every politician on the planet.

I'm thinking too of the cup of coffee I had this morning for breakfast. It was made with a coffee maker called a Keurig. This company figured out that coffee really is an individual matter. We don't want a pot of coffee. We don't want to touch grounds. We don't want to measure. We want a cup just for us as individuals.

Keurig figured out how to do it. They knew that the cost was high. One of those little plastic cups is fifty cents or more each. Having coffee this way is much more expensive. But someone took the entrepreneurial guess that consumers would be willing to pay for it. That person must have been told that the idea was crazy, that no one would be willing to go for this. But the entrepreneur was a dreamer and took the risk.

So this is another sign I would post on my front yard, just as an act of gratitude and a suggestion to others that they give it a try.

Think of all the applications I use on my smartphone. I love the AroundMe app that permits me to know every restaurant, drugstore, movie theater, or whatever in direct proximity of where I am to be, wherever I happen to be. I was somewhere in the Midwest and pulled up the app and was able to even see the menu plus prices of a restaurant one block from where I sat in my own car. This is like a miracle!

There are dozens of other apps that have changed my life in a positive way. I can't say that about a single person who has held public office, and I certainly can't and don't expect it of anyone who is running for public office now. None of them will do a thing to enhance my life. Like most people, I mostly fear what they will do with their power. Why do so many people advertise for these people?

It's an incredible thing how people take their capitalist benefactors for granted, never thinking for an instant to be grateful or to praise a company

for pushing history forward in a way that benefits humanity. Yet these same ungrateful people will attend rallies and post signs for politicians and even clamor to hear their speeches and have them kiss their children and get their pictures taken with them.

I would as soon have my picture taken with the guy who spun my pizza crust on the slice I'll have for lunch. This person is a hero in my eyes, a person who possesses a skill I've tried, but failed to master for years. He has dedicated his professional life to serving me even though I never asked for this and even though I might never express a word of thanks.

I never have to worry about betrayal from any of these people. Bolthouse will never knowingly sell me poison. Brick Oven will not promise sausage and give me Shinola. The AroundMe app will never deliberately send me to a brothel when I want a barbershop.

But every politician routinely claims insane things. They claim that their personal vision will be enacted and that the nation and the world will conform to their personal imaginings of how the world should work. They claim that they have the power to bring this about and that it can be brought about.

What a politician promises are outrageous and obvious lies, no different from a promise I might make to build a skyscraper in your backyard overnight. When I don't accomplish the task, you can say I betrayed you, and I have, but it might be a good idea to consider why you were so gullible as to believe it in the first place.

The nation-state is an unfathomably gigantic institution involving countless internal rules, conventions, employees, and exchange relationships, all of it rooted in graft and coercion, and almost all of its operations administered independently of the elected class of political marionettes.

The permanent bureaucracy pays little attention to the comings and goings of the pretty and cunning boys and girls who are elected to occupy designated offices on a rotating basis. The pictures on the walls of the bureaucracies change, but not much else. The drones just keep droning regardless. Even the most powerful politician cannot touch them.

Meanwhile, the wonderful private sector is churning out beautiful surprises for us every day. We hardly even notice. We post no signs. We don't attend rallies by the CEOs. We don't urge our friends and neighbors to give up their time to visit our favorite stores and restaurants. On the contrary, private enterprise must pay to be noticed through advertising.

My fantasy is to spend some late-night hours posting a hundred signs on my front yard that advertise everything from Bolthouse to McDonald's to Nike to CVS to the Laissez Faire Club. Then all my neighbors wake to see

the sight. They complain and I refuse to take them down. The press calls and I use the chance to explain that these companies are treasures and benefactors, whereas politicians are just liars and looters.

I've plotted this scene for years. But, no surprise, these companies don't print yard signs. They are too self-effacing, sweet, and humble to do that. This is why private enterprise ought to run the world and politicians should not.

V

STATE OF FEAR

71 Aaron Swartz, Hero and Martyr

My apologies for the sad tone of this piece, but a hero has fallen and we need to pay him tribute—and make sure his death is not in vain.

Every turning point in the history of civilization has its champions and its opponents. The opponents of the digital age are those who use the power of the state to keep the population in a state of ignorance, even though the technology is at hand to universalize knowledge through digital networks. The main weapon they use is known as “intellectual property,” even though the monopoly censorship they advocate has nothing to do with actual property.

The champions of the digital age are doing the opposite, breaking down the limits and working to spread enlightenment through peaceful means. They understand the astonishing power of computer networks to produce, reproduce, scale, and distribute unto infinity everything that can be rendered into digital form. Their work has set off the greatest migration in human history from the limits of the physical world to the unlimited possibilities embedded in global computer networks.

One such champion—now a martyr for the cause of freedom—was Aaron Swartz (1986–2013). He was one of the brightest stars of his generation. That star took his own life in apparent frustration, depression, and fear over the ghastly hounding he was receiving from the US Department of Justice. You might say that this David should have battled this Goliath to the death. But Aaron was only twenty-six, a brilliant, kind, and sensitive young man whose passion was not war, but enlightenment. It was too much for him.

Born in Chicago, he showed astonishing promise at an early age. He came of age as the Internet opened to the world. He was winning prizes and meeting the greats at the Massachusetts Institute of Technology at the age of thirteen. At fourteen, he co-authored “Really Simple Syndication,” an innovative means of assembling and distributing Web content that makes Web browsing easy. It powers the “app economy,” makes reader programs work, and enables the content to be mixed and remixed all over the digital universe.

Aaron founded in Infogami, which later turned into Reddit, one of the Web's most popular sites for information sharing and content generation. As with most of his projects, Reddit pushes aside the gatekeepers and puts the tools of creation in the hands of users. He then founded OpenLibrary.org on the same principle: by devolving power to you and me and away from the big shots, we can create tools that serve humanity in unprecedented ways.

To Aaron, the digital economy was not really about running the world through code and technology. It was about empowering people themselves with the ability to contribute to the building of ever-greater technologies in the service of humanity. As much as he loved code, his true affections were for the human mind and the way technology enables it to take flight as never before. He could never understand why government was in resistance. He was like a person in the Renaissance raised with the printing press, astonished at people who wanted to smash it.

He was so convinced that digits were powered by human minds that he even put it to the test in seeking the real power behind Wikipedia. He refuted the supposition of even cofounder Jimmy Wales that it was a relatively small number of editors who were the main content providers. He demonstrated that the main providers were millions of users themselves, thereby upending even what the owners and experts had supposed. (He was only nineteen years old when he showed this.)

Aaron was facing a trial this coming April, with him on one side and the full power of the world's most heavily armed government on the other. The prosecution wanted him fined more than a million dollars and jailed for possibly thirty-plus years. And what had he done? He hid a laptop in a closet at MIT and downloaded academic papers that are already available to millions around the world, with the apparent attempt to make them available even more broadly. That's all he did. For this, he was charged with wire fraud and computer fraud.

The database he had tapped into is known as JSTOR. It is a global archive of academic papers published over the last hundred years in all fields and disciplines. It allows students to search, assemble, cite, and study in ways that would have been unimaginable a generation ago. Bibliographies that once took months to assemble now take seconds. Research once available to a tiny number is now available to students and faculty the world over.

JSTOR is a mighty service, even a marvel, and there are good reasons to celebrate the company and its achievements. At the same time, there is something squirrely about the service. It is available only at superhigh subscription prices and allocated based on geographic IP address. If you are

on campus, you can get the goods. If you are not and have no logins, you are out of luck. Outside the IP range, it's darkness.

Remember, we are talking about scientific research that is mostly tax funded and from which the authors themselves receive no royalty or payment of any kind. Moreover, the subscription system is made profitable not because of the forces of free enterprise, but because the payments are made largely by public universities also living off taxpayers. The whole thing smacks of a kind of information feudalism. The scientists are the serfs. Those without access are cast into the outer darkness.

To its credit, JSTOR never lifted a finger against Aaron. They knew of his downloads, but never pressed charges. In fact, JSTOR has responded to his activism by gradually moving toward a more open policy. MIT can't say the same, but the real villain here was the federal government. "Stealing is stealing," barked US District Attorney Carmen Ortiz, "whether you use a computer command or a crowbar, and whether you take documents, data, or dollars."

Except for one thing: that is completely false. Crowbars hurt people. Stealing dollars takes from one person to give to another. But Aaron didn't take anything away from anyone. Ortiz might not understand this, but when you download something, it doesn't actually remove it from the original server. It makes an exact copy. It can do this with no limit. That's the whole power of digital media.

The driving motivation in Aaron's mind was information liberation. We have the capacity—right now in our times—to create global libraries of all known things. What's stopping it is this antique institution known as copyright, an outright government privilege for monopolistic producers who use the violence of the state to stop peaceful sharing of knowledge. Aaron was offended by such limits in times when they are wholly unnecessary and cause unneeded human suffering.

Aaron didn't choose the path of piracy and underground hacking to disable the feudalism. He wasn't even particularly exercised about copyright itself. What he favored was freedom, free speech in particular. He sought constructive alternatives, which is why he was a great champion of Creative Commons, a system that uses existing copyright law, but allows writers and researchers to share their discoveries and creations with humanity, instead of having them smothered.

All that said, it wasn't his attempt to liberate JSTOR that caused the government to go after him. No, it was something far more specular. Aaron also founded Common Dreams as a vehicle for digital activism. Much to the

astonishment of nearly everyone, he marshaled the power of global networks last year to beat back one of the most deadly pieces of legislation to ever be proposed by Congress: the Stop Online Piracy Act, or SOPA.

SOPA was at war with the whole idea of information sharing, which is to say the whole basis of modern economic life and cultural progress. It would have given the power to any private party to aggress against any distributor of information and to do so without warnings, hearings, or burdens of proof. Taken to its extreme, the legislation would have rolled back history to a pre-1995 state of being.

Because no one told him that he could not, Aaron used every innovation to stop it. Within a matter of weeks, Congress backed off in absolute fear of the global outrage that had been engendered by the educational materials that Aaron had distributed. What no one expected had happened. Even politicians in the pay of media moguls backed down.

It was beautiful. In doing this, Aaron not only stopped the leviathan state; he pointed to the possibility of something completely marvelous, a reinvention of the way that citizens take part in the political process. In other words, he was showing how computer networks themselves could be used to upend the power of the state as we know it. He was innovating a new form of restraining power and giving it back to people, doing for the business of civic affairs what he had already done with technology.

The establishment was insanely bitter about the defeat. Within days, the government took action against the popular file-sharing site Megaupload in a military-style hit against its founder's private estate, using SOPA-like powers that Congress had just denied the beast. It was as if the establishment were saying, "We don't care about Aaron and what he did. We want this power. We are going to use the power. The people have nothing to do with it."

Aaron's work pointed to a brighter future. The government never forgave him for this. This is why they hounded him. This is why they wanted to bankrupt him. This is why they wanted him behind bars. They wanted him brought low. They wanted him in an orange jumpsuit, eating old bread and groveling before the judges and wardens. And they would accept no compromise, despite his lawyers' attempts to negotiate: Aaron must be captured and jailed.

He would not relent. He would not give up his dreams and let them be shattered by their lies, poms, black robes, and prisons. Our hearts break—deeply and profoundly—at Aaron's decision to take his life. Maybe he saw it as a last cry for freedom. His having done so makes it impossible for them to make him a slave.

The state has taken from us an epic genius and humanitarian. What can come of this? Sometimes, the suffering and death of one great individual can shock society into dramatic change in a legal practice. Such people become martyrs, and their memories touch the conscience of everyone. We are overwhelmed by the sense of loss, and we vow to never see its like again.

“The tyrant dies and his rule is over, the martyr dies and his rule begins.”
—Søren Kierkegaard

72 “If They Want to Get You, They Will Get You in Time”

What a weekend it's been, like watching a global prizefight of epic proportions, with every conceivable side throwing the hardest possible punches.

It began with the first leak in the UK's *Guardian*, which was echoed in the *Washington Post*. The specific allegation was that the National Security Agency has obtained “direct access” to all communications records of every American by working directly with Verizon, Google, Facebook, and every other major provider.

That revelation, courtesy of journalist Glenn Greenwald, that the NSA demanded that Verizon turn over all its records on an “ongoing” basis kicked it all off. The *Washington Post* published a PowerPoint presentation on a program called PRISM, created in 2007 as an effort to collect and store data on every American.

Then, the denials came from the websites and providers. They called the revelations outrageous and ridiculous.

“We do not provide any government organization with direct access to Facebook servers.”

“Google does not have a back door for the government.”

Apple: “We have never heard of PRISM.”

They all said the same thing. They provide information to the government only in response to specific warrants from the government, and they frequently fight against them.

But skeptics noted that they parsed their words carefully. The phrase “direct access” kept coming back. Besides, what if they are under some legal obligation to lie about what the government knows and can know? Worse, what if the NSA has a direct portal to their services and even the CEOs don't know about it?

Is this paranoia at work? Well, the Obama administration did everything it could to fuel the frenzy even further, not by denying or denouncing the spy state, but by blasting the leaker himself!

“The unauthorized disclosure of a top-secret US court document threatens potentially long-lasting and irreversible harm to our ability to identify and respond to the many threats facing our nation,” said James Clapper, the director of national intelligence. For this reason, he found the revelations “gut wrenching”—not the information contained therein, but that fact of its release!

Clapper joined the whole bureaucracy of spooks to swear he would get this leaker. That response seriously backfired by seeming to confirm all the truth of the leak itself—making the CEOs look like liars or fools.

A manhunt began.

Then suddenly, it ended.

The leaker himself—an articulate and compelling young man named Edward Snowden—posted a YouTube video that sets a new standard for what is considered “viral.”

This twenty-nine-year-old genius worked at Booz Allen Hamilton, a contractor with the NSA that advertised its data-collection and storage services. Booz, which employs twenty-five thousand people, has a revolving door with the national-security state: The past head of the NSA now works at Booz, just as the current director of national intelligence once worked at Booz.

Snowden was not the product of an elite education. He had been a code geek who never bothered much with the classroom. He had signed up for the Army, but became disillusioned and was fortunate enough to be discharged. He then worked for the CIA and, finally, with the NSA. He could no longer stand what he was seeing: the sheer intrusiveness, the aggressiveness, the presumption that the data of every citizen belongs to the government.

So he took information about the PRISM program and the NSA’s ambitions. Then he left. Then he leaked. That he would reveal himself on camera for the world to see—in temporary safety in Hong Kong—is nothing short of marvelous and thrilling for its sheer heroism.

In his interview, he explains why he decided to expose the “architecture of oppression.” He confirms the worst fear: “I, sitting at my desk, certainly had the authority to wiretap anyone, from you or your accountant, to a federal judge, to even the president if I had a personal email.”

You can immediately see that this wonderful young person is just like you and me, or perhaps our sons and daughters. This is the real thing. And his response to what he saw around him was completely normal. He just began to feel really squeamish about what was going on.

Q: Do you have a plan in place?

A: The only thing I can do is sit here and hope the Hong Kong government does not deport me. . . . My predisposition is to seek asylum in a country with shared values. The nation that most encompasses this is Iceland. They stood up for people over Internet freedom. I have no idea what my future is going to be.

They could put out an Interpol note. But I don't think I have committed a crime outside the domain of the United States. I think it will be clearly shown to be political in nature.

Q: Do you think you are probably going to end up in prison?

A: I could not do this without accepting the risk of prison. You can't come up against the world's most powerful intelligence agencies and not accept the risk. If they want to get you, over time they will.

Q: How do you feel now, almost a week after the first leak?

A: I think the sense of outrage that has been expressed is justified. It has given me hope that, no matter what happens to me, the outcome will be positive for America. I do not expect to see home again, though that is what I want.

Listening to him, you hear the voice of a new generation. There is no fear. There is a humane quality to his thinking. He believes in openness. He thinks that one person can make a difference. He has the human right to try. His voice is that of Rose Wilder Lane in her great book *The Discovery of Freedom*.

And fortunately, today, using the very communication systems that government is apparently so dedicated to monitoring, he was able to get his message out to the entire world—without gatekeepers like the NSA.

His approach of going out into the open this way is itself fascinating. He probably figures that he is safer doing it this way than finding a spider hole somewhere in which to live, where he would eventually be found and then shot. Going public allowed him to control the message. It affords him the best chance to make a difference.

This is bravery, but he is probably correct that it is more effective and safe.

His example should be instructive for anyone who is following the stream of revelations and trying to sort out the meaning of it all. One response is to shut down in feature, to stop using Facebook, Yahoo, Google, and even your smartphone. You can drop out of modernity completely, move to Walden, and hide until you die.

To me, that is not an answer. In effect, that is letting the surveillance state win. Your quality of life is destroyed, and to what end? They can still get you if they want you. A smarter and better approach is to use all services but remember what everyone should have figured out long ago. The Internet is a public medium. If you want secrecy, you have to use public-key cryptography with services like Cryptocat and the Tor browser.

Snowden himself sums up this view: “I have no intention of hiding who I am because I know I have done nothing wrong.”

We’ll know more in the coming months precisely about the nature of the data collection going on. But that anyone should be shocked about the NSA’s goals and methods is supremely naïve. The first major book on the NSA that exposed its goal came out fully thirty years ago (*The Puzzle Palace*, by James Bamford). Nor should anyone believe that the purpose of all this surveillance is to “protect our nation.”

The purpose is to protect the state.

There ought to be a hall of fame for people who have made huge strides in the fast-forward breakdown of the nation-state in the digital age. Julian Assange. Bradley Manning. Cody Wilson. And now Edward Snowden. The times when the powers that be could just “body bag” a person like this are over. Today, this man is probably more popular than every member of Congress, and certainly more popular than his agency-based oppressors.

73 The Character of Edward Snowden

Edward Snowden, age twenty-nine and now temporarily living in Hong Kong, is the overnight sensation who leaked details about the National Security Agency's (NSA) practice of massive and sweeping surveillance of Americans' browsing habits. He has also provided a model of what it means to live a principled life, even when it comes at personal expense.

What his leak revealed is truly chilling and even infuriating. He demonstrated that websites and cell phone companies are sharing their databases with the US government in real time—without so much as court orders—and thereby making every one of us a victim of snooping and possibly vulnerable to blackmail for so long as we shall live.

Much more important for any lover of freedom, however, is the manner in which he went about his defiance. He acted peacefully, openly, with total dedication to principle. He took responsibility for speaking the truth. He did it with a clean conscience. He has been willing to face the consequences for his actions.

It will take millions more like him to give freedom a fighting chance in an age of leviathan state control.

In his life, he had seen enough to make him crippled with fear. But he rejected fear and took a different route. He used the very technologies that he knew to be compromised by government invasion and surveillance in order to speak truth to power. His actions reveal a path forward for the whole cause of human freedom—using every opportunity to act on the courage of our convictions.

By now, everyone knows the story of Edward's life, just as millions have already seen his interview following his disclosures. Edward was born in 1983 and raised in North Carolina. His enrollment in a community college made up for his poor high school education and allowed him to earn a general education degree.

He signed up with the Army—he hoped to liberate people in Iraq, but was shocked to find that this wasn't really the goal—and was discharged following leg injuries. He went to work as a security guard for an NSA

security facility in Maryland, where he must have revealed his competence in information technology and code. (In some ways, he is an archetype of today's self-taught but indispensable code "geeks.")

Soon after that he was snapped up by the talent-hungry CIA. By 2007 he found himself in Geneva, maintaining computer security for the agency. Two years later he was working for the NSA in Japan—the very definition of upward mobility.

Then earlier this year, he landed the dream job. He began working for Booz Allen Hamilton in Hawaii. This is a private company that collects, analyzes, and disseminates data for the NSA, enjoying billions in contracts from the government. Edward himself was only twenty-nine years old, but he was pulling in two hundred thousand dollars in a cushy job in a dreamland, living with his girlfriend. In Hawaii!

To appreciate what he has done, you have to put yourself in his position. Would you give that up? Would you be willing to walk away? He was surrounded by people who just took it for granted that every American deserves to be spied on, that government has the full right to everyone's information.

This was the culture of his firm. The people paying him to manage computer networks all accepted the premise that all this stuff about freedom and democracy, court orders and the Bill of Rights, was just a veneer—just the silly doctrines of the civic religion that we tell our children but don't really believe. Their real job at Booz was to collect as much information as possible and let the government use it as it sees fit.

Most people in that position would say nothing. Maybe they would even feel a sense of power at being able to wiretap anyone or dig through the email archives of anyone. The financial incentive alone would be enough to keep him quiet. Why risk such a happy life as this? He could have stayed there forever. Almost everyone would have done exactly this.

Instead, his well-formed conscience intervened. One day, he and his girlfriend gathered up their things and left. He told his superiors that he was going to get treated for epilepsy. Instead, he flew to Hong Kong and lived in a hotel room. He called up journalist Glenn Greenwald (a man he knew he could trust) and gave him the documents that are rocking the world today.

That's when the witch hunt for the leaker began. Official Washington swore vengeance.

But Edward wasn't finished. Rather than remain in hiding, he took the opposite path. He granted an on-camera interview in which he revealed everything there was to know about him. He put himself on the line, with confidence and grace.

He said:

I'm no different from anybody else. I don't have special skills. I'm just another guy who sits there day to day in the office, watches what's happening and goes, "This is something that's not our place to decide, the public needs to decide whether these programs and policies are right or wrong."

After the leaks, his former employer denounced him and his "shocking" actions, saying that his revelations are "a grave violation of the code of conduct and core values of our firm." The partisans of the national-security state called him evil and congressmen called for his extradition and prosecution.

He had already anticipated this. He knew the risks. He figures he will never go home again. He is now seeking asylum in Iceland, a fact that should give every American pause.

Here is the statement I find so incredible, so compelling, so absolutely on point. He explains why he chose to be a whistleblower rather than continue to live a comfortable but morally compromised life:

You can't come forward against the world's most powerful intelligence agencies and be completely free from risk because they're such powerful adversaries. No one can meaningfully oppose them. If they want to get you, they'll get you in time. But at the same time you have to make a determination about what it is that's important to you.

And if living unfreely but comfortably is something you're willing to accept—and I think many of us are, it's the human nature—you can get up every day, you can go to work, you can collect your large paycheck for relatively little work, against the public interest, and go to sleep at night after watching your shows. (emphasis added)

Millions of people do just this. They choose to live unfreely—but comfortably. It is the habit of nearly everyone—especially in times when the leviathan state is so imposing and threatening—to put up with the immorality and evil around them, to look the other way in the face of fraud and wickedness, to help cover up the unethical deceptions and lies, to pretend like the plunder and surveillance and invasions are just no big deal, rather than come forward.

To choose the security of the known evil—no matter how pressing that evil is, so long as that evil is your personal benefactor—rather than take the risk that comes with improving the world is the pattern and habit of our day. Millions do it. Millions in government. Millions in the private sector. And that is precisely why so much of the world is on its present course.

To break away from that requires something special, something spectacular, something singular in our times. So why take this extraordinary step? As Edward told Greenwald in his interview, it's because someone has to act in his generation or it will be worse in the next one. The “architecture of oppression” must be exposed now as a way of making the world a better place in the future.

And so he acted. He used technology to speak directly to the whole human family. He bypassed the gatekeepers completely and put to use the technological marvels of our time to make a difference.

He could have done otherwise. He could have sat by, just as tens of thousands, hundreds of thousands, do every day. After all, his company employs twenty-five thousand people, most of whom were in a position to do the same thing. But they did not. He did.

What makes the difference? What made him act? He decided not to be part of the system. He decided that he would not live an unprincipled life. He would not be unfree. He would choose truth, and this truth would set him free.

Too often we think of our freedom as something that is either granted or taken away from us by government. This is partially but not completely true. There are ways in our lives that we can choose—right where we are—to embrace or reject freedom. All of us, but especially those who work for government or government contractors, are often faced with the choice of accepting a comfortable lie or taking the risk to live the more difficult truth.

As Snowden seems intuitively to understand, the “architecture of oppression” relies most fundamentally on our own cooperation and complacency. Withdrawing our consent, and doing so with integrity and openness, is probably the single most powerful blow any of us can ever strike for the cause of human freedom and the well-being of future generations.

74 Snowden's Flight to Freedom

Dear rest of the world: Please know that it is painful for Americans to see what is happening in the case of Edward Snowden.

Here he is flying from Hong Kong to Russia—countries that seem like safe havens from the long reach of the US empire. Where will he end up? Could be Iceland, Venezuela, or Ecuador. He needs someplace to go where the authorities can't be intimidated to turn him over to his jailers and possible executioners.

It's either that or face the chair for doing the right thing. Even though I understand the corruption of the system—and I get just how bad things really are—it's still hard to process. The law under which he has been charged dates from 1917, and its sole purpose was to destroy the peace movement of the time. As Woodrow Wilson said before the law passed, "Creatures of passion, disloyalty, and anarchy must be crushed out."

And they were. If you spoke out against the war, you were arrested. Papers were effectively nationalized. Prices were controlled. Independent thinkers of all types were jailed. Actually, a number of Americans at the time fled to Russia for freedom and found themselves in the middle of the Bolshevik Revolution. Then, like now, the choice was the frying pan or the fire.

So yes, we know that America has not been itself for a long time. Maybe it never was. But still, we read the Federalist Papers. We read Thomas Jefferson. We read the Declaration, the Constitution, the words of Madison and Paine. We just can't shake the idea that there is something to this notion that government ought to be limited and that people have the right to freedom.

Snowden is a good young man who wanted his fellow citizens to know what our own government is doing to us. He wanted to warn us that our own government is reading our emails and chats and listening in on our phone calls. He blew the whistle on the alarming fact that our own government is assembling a vast database from which it can draw at any point in the future, essentially putting the government in a position to blackmail every citizen forever.

He didn't just assert all this. He proved it with vast documentation. And he blew the whistle because he thought that doing so might help bring change. I detect something like naïveté in his voice. It's like he still holds to the old ideals. Maybe he was paying attention in the civics class where they teach about the "Land of the Free" and things like that.

To say what he revealed is unconstitutional is a ridiculous understatement. This program utterly shreds not only the Constitution, but every notion of liberal society. If we had any truly democratic features remaining in our system, Snowden would be given total immunity to prosecution and asked to testify to Congress. Then Congress would get to the bottom of the scandal and gut the agencies that took advantage of public fear to enact totalitarian surveillance.

Alas, Snowden is on the run. But everywhere he goes, he releases more information. No matter how bad you think it is, it seems to get worse. While in Hong Kong, he showed journalists evidence that the US government hacked Chinese mobile-phone companies to read millions of text messages. It followed the communications of professors at Tsinghua University. It burrowed into the databases of Pacnet in Hong Kong, their version of AT&T.

These revelations come after years and years of kvetching by US officials that China has been stealing US trade secrets. Whether that is true or not (maybe they've made a mountain out of a molehill), just think for a minute about what Snowden's information implies. Imagine if the shoe were on the other foot.

Let's just say that a Chinese dissident came to the United States and provided the *New York Times* with proof that the Chinese communists had tapped the phones of our university professors, had been reading our text messages, and had burrowed down deep to have a direct passage to listen to our phone calls.

Can you imagine that response? There would be hysteria. Sermons from the pulpit on Sunday would once again attack the godless communists and their imperial ways. After a few weeks, we might even be close to all-out war. The American people would be absolutely beside themselves.

So you wonder why the Chinese people might be just slightly annoyed to hear this information. And then consider that the United States is hounding this leaker and demanding he be captured like a criminal and turned over to the United States for a thorough flogging, a life sentence in jail, or possibly even worse.

What's mystifying is that all of this is happening under a president who ran on a platform of encouraging whistleblowers. Maybe this promise was like

Chairman Mao's promise to let a hundred flowers bloom. Once they bloomed, he cut them down. Maybe Obama's encouragement of whistleblowers was designed to find the traitors and eliminate them.

I actually doubt it, really. In fact, I wonder how much Obama really can control the national-security state at all. I'm not against blaming the president for anything and everything, and it's true that he might have intervened to stop it—and he might have even personally approved it.

More likely, however, is the strange reality that no American really wants to admit: namely, that the president is a figurehead. A glorified PR man for the state, and not a godlike central planner in charge of all things. There are only so many hours in a day, and most of the president's days are filled with defending himself, keeping his entourage together, putting the gloss on the elites and their policies, and meeting people and the like.

The system is much bigger than one man, and that one man that everyone trumpets is mostly a bit player, a survivor who watches the clock and worries what the history books will say about him.

In the day-to-day machinations of the state, we are largely ruled by bad laws and legislation enacted by people long dead—the worst of it passed a hundred years ago—and they are enforced by bureaucrats and players today who are not subject to any aspect of the democratic system. This combination of legislative craft plus bureaucratic inertia on behalf of public and private elites is the real source of the tyranny of our times.

75 Thank You, Russia?

Lon Snowden, father of whistleblower Edward Snowden, gave an interview to the media this week. The venue: Rossiya 24, a state-owned station. His message was one of gratitude to Russia for considering his son's request for asylum. Edward, as everyone knows, is on the run for having revealed to the American people that their government is logging every communication and storing it for later use.

In other words, Edward is in big trouble for revealing that our government is doing to its own citizens what the United States once accused Russia of doing to its citizens. In what is really a bizarre turn of events, Russia has become a safe haven for an American whistleblower. Any friend of freedom has to join Lon Snowden in expressing gratitude. Because as it turns out, there are only a handful of countries in the world that the US government can't intimidate into compliance.

I'm as glad as the next guy that "we" won the Cold War. But sometimes you just have to wonder: what was the point of those forty-five years of nuclear stalemate? All that time, we were told that this was a mighty struggle between individualism and collectivism, between freedom and tyranny, between capitalism and communism.

But at the end of the day, once everything has shaken itself out, it is Russia that is providing sanctuary to our best citizens.

Is this some sort of strange dystopian novel? Well, yes, and it has a name: *Nineteen Eighty-Four*, by George Orwell. Murray Rothbard once did a reconstruction of the hidden meaning of that novel. He demonstrated that Orwell was writing about the reality of the wartime and postwar period. A time when Russia's status as an enemy turned to friend and back to enemy again in the blink of an eye.

In Orwell's depiction, the world is dominated by three superpowers: Oceania, Eurasia, and Eastasia. Alliances would turn on a dime depending on political priorities. "We've always been at war with Eastasia," says the slogan. Sounds just like something we'd hear today.

Islamic fundamentalists were US allies in my living memory. They were heralded in the 1980s as freedom fighters who held to traditional family values and served as a mighty bulwark against atheistic communism. After the Cold War, our friends became our enemies. Now the right-wing talk shows speak daily of how we've always been at war with Islam.

The Russia case is particularly interesting. In the 1920s, American politics was sporadically consumed with the Red Scare. By the 1930s, Russia had become a kind of paradigm of progress. It was a model after which the New Deal copied its planning schemes for agriculture and large industry. By wartime, Russia was our dearest friend, a heroic ally in the struggle against Japanese and German imperialism. But only a year after WWII ended, President Truman spun it again: now Russia was the biggest threat to Europe's freedom, and thus began the long Cold War.

But it is even more complicated than that. As Rothbard wrote in 1986:

Our deadly enemies in World War II, Germany and Japan, are now considered prime Good Guys, the only problem being their unfortunate reluctance to take up arms against the former Good Guys, the Soviet Union. China, having been a much lauded Good Guy under Chiang Kai-shek when fighting Bad Guy Japan, became the worst of the Bad Guys under communism, and indeed, the United States fought the Korean and Vietnamese wars largely for the sake of containing the expansionism of Communist China, which was supposed to be an even worse guy than the Soviet Union. But now all that is changed, and Communist China is now the virtual ally of the United States against the principal Enemy in the Kremlin.

And today? Following some years of friendship in union with the anti-Islamist cause (the United States has tacitly backed President Putin in all his imperial wars), Russia is the enemy again. After all, this awful state is protecting a whistleblower from capture by the United States! Meanwhile, Japan doesn't figure into world politics at all, while China is said to be an unrelenting menace to our industrial superiority due to its propensity to steal trade secrets.

As should be clear, Orwell was not so much writing about a future that might come to pass as a present that had already revealed itself in politics throughout the twentieth century. This was the century of the total state. What does that mean? It means that no aspect of life is conceptually out of reach for the government. All your data belong to them. All your products, services, and activities are their business. Our property we own only at their discretion. No aspect of life is unplanned by our masters, provided they have the interest and means to make it happen.

The totalitarian mind is revealed in its fullness in the attitude toward war. Beginning in the age of democracy of the twentieth century, entire populations were considered to be combatants and potential targets. You know how during US wars, we hear about how civilians are just as culpable for tyrannical power because they are somehow permitting the dictator to rule by failing to overthrow him? We heard this constantly during the Iraq War.

This is a totalitarian mentality. No one is considered outside the political constellation.

Freedom and the total state are incompatible, except that, of course, any state is happy to use propaganda to proclaim itself to be the true land of the free and home of the brave. The reality is borne out in the state's attitude toward dissidents. If you see something and say something bad about the government, what happens to you? It's a basic test of freedom. In this case, the US has been failing miserably.

But the humiliation is increased for Americans to see our former enemies (well, one-time enemies turned friends turned enemies turned friends, etc. . . .) now providing a safe haven to a young man who told the truth about the US surveillance state. Edward Snowden, said Doug Casey last week at Agora Financial's Vancouver Symposium, is not just a hero, but a superhero. He gave up everything to do a public service, all in the interest of making a dent in the inexorable tendency toward total control.

What's fascinating is to see how completely lacking in cynicism Snowden truly is. He thinks that the system can change. He wants Congress to do something. He wants the American people to rise up and demand that their government keep to normal standards of civility and afford their citizens some degree of privacy. In expressing that hope, Edward Snowden revealed himself as one of the last men to actually believe that the system can work to the good. Most of the rest of us lost that hope long ago.

Now he hides . . . in Russia.

Or as George Orwell might write, "Yet, after all, we've always been at war with Russia."

In the last several days, I've had three phone conversations with friends—completely normal people who have their wits about them—during which they have declined to say something for fear of government surveillance. They will be talking normally and suddenly catch themselves and divert the conversation.

The topics we were discussing were mostly innocuous, and I can't imagine that government interlopers would care, but the impulse to self-censor was triggered anyway.

Free becomes unfree. Fear replaces liberality. Open communication becomes censorship. The curtain is falling fast on free speech. It's happening all around us, and it is getting worse every day.

The first time I had this happen was about one year ago, when I was talking to a soldier stationed at a military base. He spoke to me almost in code, fully certain that his conversations were being monitored simply because he was speaking from a government facility. The phone was his, but he had the sense, which he probably couldn't prove, that the lines of communication were not safe.

That genuinely alarmed me. But at the time, I thought it was just because he was at a military base. A bit of paranoia is understandable, and maybe this is just what one would expect. But it turns out that this was just the beginning. The whole country has turned into a military base, and everyone in the know is acting like that soldier did only one year ago.

It's been true on email too. Increasingly, people are writing in frozen and stiff ways, presuming that someone else is reading. The same has happened in Facebook public postings and online chats. I've noticed, just in the last weeks, a reduction in the heat of postings, a fall in the level of zip, a new caution in the mode expression. Across the board, public digital spaces have become chilled.

What a difference one month makes. A leaker from the National Security Agency came forward with a version of events that hardly anyone could believe at first. It seemed outlandish to imagine that the government had a direct pipeline into all our communication portals, mining as much data as

possible and building ever larger facilities to gather and hoard it, keeping it around for when it is necessary.

Surely, this man Edward Snowden is just a nut. But in the weeks after his revelations, we all began parsing the statements of denial from the likes of Google, Yahoo, Facebook, and Verizon. Then it became really apparent that these people were not even allowed by law to tell the truth. They were writing while concealing. They were trying to be forthcoming, but were not free to speak even if they wanted to. They had been ordered not to speak.

But what were they going to do about it? Shut down their businesses? Well, some smaller businesses have shut down rather than comply with the demands that they allow nonstop streaming of data to government headquarters. And get this: Ladar Levison of Lavabit was actually threatened with criminal charges for having shut down his services rather than comply.

Levison had previously complied with specific court orders for information from individuals, but the day he saw a demand for a full-blown “backdoor” to his system, he shut it down. The government then accused him of “violating the court order” for declining to do business. This amounts to a kind of nationalization of his small business—a mandate that he serve the state through his own property or else face prison time.

It’s impossible for me to look at all of these events and not see the most profound irony. I’m a child of the Cold War, a time when the civic morality play pitted the free speech and free thought of the United States against the controlling, censoring, authoritarian wickedness of the communist system operating in the Soviet Union and its satellites. It was a story of good and evil. We were good and they were evil, and the daily fear experienced by the unfortunate citizens of those countries served as the ultimate proof.

I guess I learned the lesson well, because I can’t shake that sense of good and evil from my mind. The United States won the Cold War, but its government gradually came to adopt the very practices that we demonized at that time. Who conquered whom here? Freedom was supposed to have been the victor, but today, Edward Snowden had to be given sanctuary in Russia, of all places, just for having revealed uncomfortable truths about what the US government is doing to its own citizens.

They say it’s all about stopping terrorism. Well, oddly, security is precisely how censorship was justified in the old Soviet days too. The government had to be given access to all communication in order to protect the people from miscreants and enemies within the body politic or else everyone would suffer some terrible fate. To be on the side of free speech was considered an act of treason. So it is today in the great home of freedom.

It's helpful to consider the bigger picture here. All governments in all times and places have aspired to control the communication of their citizens. In the United States, the government did in fact maintain its control for the greater part of American history. The radio waves were nationalized and controlled. Mail was a government service. The government enforced a strict monopoly over television for decades. Even the telephone system was a government monopoly—handsets and telephone cords were issued and owned by an agent of the state.

In the course of only a few decades, everything unraveled. The telephone monopoly was busted. Cable television was born. Censorship over the radio began to loosen. Then technology took over and there were cellphones, email, private delivery services, chat, hundreds of millions of websites anyone could start, Voice over Internet Protocol, and more forms of communication than government could possibly keep up with. The monopoly over communication that the government once maintained had been completely smashed.

This situation has persisted for about fifteen years—a near-anarchist paradise of human sharing and interaction through technological innovation. What's going on today is really the reaction and response by the elites. They want their power and control back. They are trying to get it through the oldest form of government control surveillance and the blackmail that comes with it. It's the tactic guards used to control prisoners. It's the tactic government is using to fight its way back toward having control over our lives.

So as you consider the alarming trends, the first thing to remember is that this approach is nothing new. To surveil the citizens is something governments from the ancient world to the present have aspired to do. It outrages us, and rightly so, but it shouldn't surprise us.

The chilling effect is intensifying, and serious damage has already befallen the digital spaces we've come to love. Over the long run, however, this approach is not going to work. Try as it might, the government will not stop communication innovation. Private entrepreneurs are busy innovating ways to keep the history of our times on the side of human liberty.

The desire to communicate even when government doesn't want us to is part of the American genetic code. "One if by land, and two if by sea," says Longfellow's poem about Paul Revere's ride to inform citizens about British troop movements. It was encryption in the style of the eighteenth century. That generation didn't give up on the freedom to communicate, and neither will we.

77 Surveillance Has Changed Us

My passport is festooned with patriotic blather about freedom and democracy. It didn't used to be this way. The less freedom we have, the more government has to convince us that it exists. But none of it rings true anymore.

One page of the passport quotes Lincoln: "that government of the people, by the people, for the people, shall not perish from the earth."

Amused by that on several levels, I nearly sent out a status via Twitter. I had typed the following revised version that embodies a wistful fantasy: "that government shall perish from the earth."

But just before sending, I hesitated. You see, while doing this, I was boarding a flight from Frankfurt back to Atlanta. Presuming that the feds are reading everything, I thought that posting such words, however funny, would be too risky.

What if I found myself being detained once having landed? I might face a barrage of questions about the meaning of my little text. Did I have a diabolical plot in mind to smack the government in some way? I imagined myself having to explain polycentric legal theory and market forces to thugs in some isolated cell.

So instead of posting that little update, I pulled back. I censored myself. Doing so felt just a bit odd in some way.

This is what it has come to in the surveillance state. In my entire life, I don't recall ever pulling back from saying what I think. But these days, prudence rules. This is how I imagined things were in the Soviet Union in the old days. I recall thinking during the Cold War how great it is to have free speech, to not live in fear, to not be afraid of expressing political opinions.

Here we are in the latter days of the war on terror and we are stuck now with a jumpy regime that collects our every correspondence and is ready to misunderstand everything we write. We no longer communicate with confidence of privacy to our friends. We don't post truthfully to our followers. We no longer send authentically private emails. In every case, we edit ourselves because we know there is a third party listening in, and that party is government.

Government doesn't really care if we are posting about our dinner plans, our shopping excursions, or our kids' grades and community socials. What government cares about is politics, which is precisely why the Founders threw that First Amendment into the Bill of Rights. You have to be free to speak about politics or it can't be said that the country is truly free.

But it is precisely politics that gets us in trouble these days. The tax authorities harassed groups based on political outlook. They were targeted. So it is with all our communications. Express an opinion that government ought to be upended in some way and it would not be surprising at all to come face to face with an interrogation squad that understands nothing about philosophy or economics.

You might be thinking, Oh, that's just ridiculous; you could have posted that without consequence. And maybe that's right. But who is to say for sure? Do we really know what kind of language triggers the authorities? We do not. It might be a slow news day and you suddenly find yourself on the receiving end of some serious government muscle. Or maybe nothing would happen.

But how many people today are playing it safe just in case? I would suspect that it is nearly universal. There is a chill in the air. You whisper your opinions only to those whom you trust. You don't really tell pollsters what you really think—most people just hang up—but that's been true for some time. Now you don't even tell your friends on Facebook. Even email seems sketchy.

There is another feature of all this that strikes me. In some respects, you can tell that the war on terror is ramping down. President Obama has called for an end to the "boundless war on terror." He's even dismissed the idea that the feds would hound Edward Snowden. It's purely anecdotal, but I've had fewer harrowing experiences at the airport today than I had five years ago. Security is often a snap. Even customs and passport checks are easier than they once were.

Five years ago, American citizens had to leave an extra hour or two early just to get through the maze of bureaucracy when coming back into the country. I went through the whole mess yesterday at the Atlanta airport in less than fifteen minutes. None of it seemed intrusive at all. I could have carried a suitcase full of Cuban cigars and no one would have known the difference.

It's true across the board. Drone strikes are down. The police today are less brutal in general than five years ago. The trigger-happy hysteria of five years ago has gradually mutated into a routine bureaucratic blasé.

Yet the appearance of less frenzy is somewhat illusory. After September 11, the government started collecting every bit of data it could on us, building profiles of every single American. If you should end up on the wrong side of

the law, the power elites are now in a position to rifle through a decade-plus of emails and chats. This is the stuff of which blackmail is made.

The political climate has changed. When Edward Snowden's revelations came to light, many people were upset about the violation of human rights this implies. But plenty of others defended the surveillance as something necessary in times of high threat levels. So you can see that we've already been conditioned to accept a higher level of despotism than ever before.

This follows the ratchet model of government expansion as explained by Robert Higgs in his book *Against Leviathan*. It goes like this. During war and depression, government expands. When the crisis is over, government contracts. But the new normal is never the old normal. We have become accustomed to a new level of command and control. This is the ratchet at work. It might seem like we get freedoms back, but we do not. Instead, we just get used to being less free.

This is what happened during and after World War I and World War II and the Great Depression. The same pattern is taking place today. The war on terror is abating—after twelve years of hell. But in the new normal, surveillance is just part of the process of governing.

No law on the books even authorizes it, write Jennifer Stisa Granick and Christopher Jon Sprigman in the *New York Times*. "Through a series of legal contortions, the Obama administration has argued that Congress, since September 11, intended to implicitly authorize mass surveillance."

We put up with it because it seems less bad than just a few years ago. The reality is that we are more controlled by government than any previous generation.

So yes, we watch what we post. The truth is scarier than ever before.

78 An Empire in Panic

A cornered rat has a deadly bite, or so says the lore from the nineteenth century, when rat baiting was common sport. The same is true of a cornered empire today. Every hour that goes by presents the evidence. It's getting absolutely dangerous out there for anyone who dares to stand up against the empire and for basic human rights, which is to say that it is dangerous to corner the rat.

Recall the NSA's Edward Snowden blockbuster revelations that the US national-security state has been data mining all email, cell calls, chat, and other communications and routinely investigates the results without any authority of law whatsoever. Seeing this all around him, Snowden came forward because he was disgusted by the practice, but also because the whole operation was taking place without any public knowledge, much less congressional approval.

Now, you might think that this information would be a terrible embarrassment to the agencies involved, and to the president who is supposed to be overseeing them. You might think there would be a scramble to find a fall guy, and maybe even a pullback on the part of the bureaucracies themselves. Under normal conditions—where the law matters and government was actually accountable to the governed—exposure on this level might cause the bad guys to do damage control.

But these are not normal conditions. The national-security state is too well developed and too habituated to the perception of itself as the final ruler and the arbiter of all law. It believes itself to be above Congress, above any appointed official, and above the court system too, even the military court system. It is a government unto itself and it gets its way.

Snowden had only behaved as a patriot should, but he then found himself on the run from the law, trying to find safe haven somewhere in the world where the United States did not have control. The safe haven he found was the old Cold War enemy of Russia—a deeply embarrassing reality for those of us who cheered the US victory in the Cold War.

But that was just the beginning. The national-security state is out there right now trying to settle all family business, *Godfather* style, taking down anyone and everyone who might have assisted him in his deeds.

The fate of the email provider Lavabit is an example. This is a small company, run out of a Dallas apartment by one Web developer and a few friends, that has provided encrypted email. It is widely believed that this is the service that Snowden used to communicate with reporters.

Well, Lavabit was hit with an order from some agency within the state apparatus. It demanded access to all records and, most probably, a direct pipeline to the company's own servers. In the past, Lavabit had complied with specific requests for information whenever it seemed reasonable. But this one was different. It was a demand for sweeping access.

Lavabit took the principled stand and shut down its own thriving business rather than go along.

This was a real act of courage. When an order like this comes from Homeland Security, it comes with a demand that the recipient not speak to anyone about the demand, on penalty of law. What about business partners? The order says no one. What about spouses? No one. What about attorneys? Again, no exceptions. You are laid bare and totally captured. It's not different from jail. One wrong move and your life is over.

(Having been on the receiving end of one of these orders myself, I'm still reluctant to talk about it. I completely understand what it is like.)

"I could be arrested for this action," Ladar Levison told NBC News. Indeed. In interviews, he chooses his words very carefully, fully aware that one misplaced bit of information would lead him out of compliance with the order from Homeland Security and cause him to spend untold amounts of time in prison.

Just so we are clear here, this totally arbitrary attack occurred after the Snowden revelations, in seeming and shameless retribution. And it was not the only attack. An Internet service called Silent Circle, which specializes in private communications, saw the writing on the wall and pre-emptively shut down its email service. Now the company tells its customers that email is not and cannot be secure. It is focusing entirely on cell coverage and text messaging.

These are just the two attacks we know about. Many other services that advertise secure email have most likely been approached. It wouldn't be surprising if they failed to mention this to their subscribers. Again, this is the nature of the orders the government issues.

They say comply immediately and tell no one, or else. Maybe you think you would do the principled thing and refuse, but anyone who believes that

has not been on the receiving end of such demands. There are few things more terrifying in this world than to have the imperial spotlight suddenly hit your face.

Continuing on with Homeland's family business, a remarkable thing happened to Glenn Greenwald, the reporter who revealed Snowden's NSA leaks. His domestic partner, who is not even a reporter, was arbitrarily detained at Britain's Heathrow Airport en route from Germany to Brazil. The authorities took his computer, files, and even his cell phone, so that he couldn't even communicate with those who were expecting to meet him at the airport.

He was detained without explanation for a full nine hours, which is the maximum that British law allows. The purpose of the law, of course, is to stop terrorism, but here we see how it is really used. It is used in an attempt to intimidate someone close to a journalist who leaked the Snowden stories—a clear aping of old mob tactics of going after loved ones.

It's all part of the great drama called "the empire strikes back."

The beauty here was that the secret of his detention came out superfast. Greenwald himself wrote a blog post for the *Guardian*, and within minutes, the story was all over the Internet and world press. Indeed, the next day, the *New York Times* featured a detailed report about the detention. It was yet another black eye on the national-security state, and more indication that it is on the fast track toward being enemy No. 1.

This kind of behavior seems counterproductive in every way. No private sector business that was caught bilking its customers would respond by ramping up the rip-off. Not even politicians can get away with this sort of thing. But the FBI, the NSA, and Homeland Security believe that they are invulnerable and don't have to obey anything or anyone, and especially not public opinion. At the same time, they want to operate in secret.

What they do not understand is that in a world of freely flowing information, nothing they do is a secret anymore. There's no turning back: what the NSA and Homeland have done to citizens of the world, people are now doing to NSA and Homeland.

The rat is cornered. The empire is panicked and behaving exactly as we might expect, complete with nasty hissing and biting and victims all around. But this is not a sign of its strength. It is a sign of its desperation to preserve its power and privilege in a world that is moving beyond these search-and-destroy tactics. The national-security state has its data-mining centers, but the institution called the Internet is working daily to bring accountability to their egregious tactics.

79 One Hundred Years of Intrusions

Imagine a time when the government knew nothing about the money in your bank. It cared nothing about how much you made, where you made it, and what you did with it. You could take your earnings in gold, silver, paper, or anything else, and never file a sheet with the government.

How you earned a living was none of the business of the political class. For that matter, your bank account could be under a false name and absolutely no one cared.

This was the world of a mere one hundred years ago in the United States. That's why it was called the "land for the free."

Back then, all federal revenue—tiny by today's standards—came from a tax on imported goods. That tax did plenty of damage, as all taxes do. However, the system was superior because it took only a tiny share of private wealth and, most importantly, it had no privacy implications for average citizens.

The reason for the dramatic change is rather simple. Now we have an income tax. The government determines how you are paid and what you can do with your money, and spends vast resources tracking it all. The government wants its share. Therefore you have no right to earn money without coughing up.

The intrusion into our bank accounts was only the beginning. Over the course of one hundred years, everything changed. The government can spy on our emails and cell-phone calls, confiscate homes and cars with no legal proceedings, and even send drones over our houses and kill us legally. We are wholly owned. It is a world that no one living in late nineteenth-century America could possibly recognize.

This situation has many people extremely alarmed and very confused. Surely there are ways that we can protect our privacy. Surely there are ways to guard our freedoms from these intrusions. To that end, people who do not entirely understand digital technology will often react in ways that are counterproductive. They decide to stay away from all social media altogether.

They don't get a Facebook account, they don't tweet, they don't do LinkedIn, and some people won't even use a credit card online.

These same people rail against private business in the digital age for collecting data on us. They won't use shoppers' cards at grocery stores. They denounce Amazon for tracking purchases. They freak out when Gmail feeds them ads based on subjects covered in the body of emails. They imagine that these are all symptoms of an age when privacy has been vanquished by the regime.

I can understand this reaction, but here's the truth of the matter. All of these behaviors are the digital equivalent of digging a big hole in the ground and jumping in it. This will not protect you against intrusions by the state. In fact, this approach to protecting yourself can even have the opposite effect of making you more vulnerable than ever.

There is a world of difference between a government that is spying on your bank account and an online retailer that tracks your buying habits in hopes of selling you more things you like. Government's actions are a threat to your human rights. The actions of private enterprise are ultimately designed to serve you better.

I take what seems to be a counterintuitive view of how to protect yourself in an age of ubiquitous government snooping. The solution is not to hide but exactly the opposite: become a public person. Embrace social media. Do not fear having your name online. In fact, the more of a known entity in the digital world you are, the more protection you actually enjoy and the more likely you are to have advocates should you find yourself mixed up with the police state.

There will come a time when this network can save your life. You end up without a job and need that LinkedIn network right away. You might find yourself hauled off to jail and only have a few minutes to post that tweet or status update. You can find yourself trapped in a high-crime area and need help; this is when that Foursquare update can mean life or death.

On the other hand, obscurity is something the government loves. If you get caught up in the criminal-justice system, there is no network out there to cheer for you, rally on your behalf, and provide you legal help. If the arrest or the problem you face makes the papers, there is no public profile to check against the government's claims.

It was very intriguing that after the Sandy Hook massacre, the killer's own Internet obscurity actually worked to convict him. People these days figure that a person who is in digital hiding is a highly suspicious person who has probably done something wrong. This is just about the worst way to begin an entanglement with the government.

On the other hand, you can use social media as a way of shaping your professional and social personality to your own benefit. It is a way of taking control. And as for the tracking cookies that commercial sites are dropping on your browser, this is a complete distraction from the real problem. Amazon and Google don't want to send drones to your house. They want to engage in the completely nonthreatening behavior of trying to sell you stuff. There is nothing about this desire that represents a threat to your well being.

To be sure, it takes some degree of sophistication to use the Internet in a way that that helps rather than hurts your professional reputation and life prospects. Generally, the rule applies always and to everything: do not post anything anyway that you do not mind the whole world reading now and forever. That same is true for email. There is probably no venue of communication less secure than email.

In the early years of the Internet, I thought that the public demand for privacy would doom attempts to create public social networks. No one wants their every thought and their whereabouts broadcasted to the world. On that score, I was completely wrong. In fact, the opposite is true. Vast numbers of people are gluttons for attention wherever they can get it. This is particularly true of young people who are acculturated to living public lives from an early age.

Some people have a difficult time understanding this crucial fact. For the most part, the seeming privacy intrusions that private Internet companies engage in are entirely in keeping with consumer wishes. Nor is this anything that most people need to worry about it. Private enterprise is not the threat. Government is the threat.

To be sure, private companies have proven themselves to be willing to cooperate with government agencies when they are asked to or forced to. This is truly awful. In the balance, however, staying away from digital media does not help maintain any freedoms or privacies. The better approach is to browse using the privacy settings on your browser. If you go to sketchy sites, use an IP scrambling device like Tor (which you can easily download).

The privacy problem is a government problem. It is a policy problem. So long as we have a government money monopoly and an income tax, our rights are being violated. The spying, the confiscations, and the drones are just the mop-up operation. It's the politicians and bureaucrats, not the dot-coms and the CEOs, who are the real enemy.

VI

THE WAY TO BREAK FREE

80 To Free One's Mind

People often ask me, “When did you become an anarchist?” It’s not an easy question to answer. Deep changes in one’s intellectual outlook do not happen overnight. You first entertain the idea. Then you assess its plausibility. You might even embrace the idea fully, but only in the abstract. Real intellectual change comes when you can see how the idea works in the real world—even in your daily life. That’s when confidence in an idea comes.

For this reason, it always mystifies me that anyone could become a socialist. It is the least plausible idea imaginable. Scarce goods cannot be literally owned on a socialist basis. Try socializing your laptop or your shoes or any capital or consumer good. Two people cannot be simultaneous and full owners of the same thing. Socialism always ends in state ownership and control, which leads to disaster every time it’s fully implemented. Real-life socialists either don’t understand the idea or they just decide to live in an illusion.

The first time I heard of anarchism of the private property sort was when I saw Murray Rothbard’s book *Man, Economy, and State* on a professor’s bookshelf. The title alone dealt directly with problems I was thinking about at the time. I asked the professor about it and he was alarmed, as if I had seen something I was not supposed to see. He quickly warned me against reading the book. “Rothbard is an anarchist,” he said ominously. I immediately wanted to read it (but I couldn’t because it was not in the school library and I couldn’t figure out a way to actually poach the professor’s book from his shelf).

Instead, I put the idea on hold and plunged more deeply into the free-market tradition. The more I read, the more I was impressed. Milton Friedman was right. Henry Hazlitt was right. Ludwig von Mises was right. F. A. Hayek was right. Leonard Read was right. This whole tradition dating back to Adam Smith was really onto something spectacular. The world was trying to manage economies through state edicts and yet getting it all wrong. Only freedom and private property are truly productive, creative, progressive, and empowering of everyone in society.

And yet, each of these other thinkers stops short of saying that we don't really need a state. They all seem to agree that the state is necessary to keep the peace. It is really all that stands between us and total chaos. Without the state, we couldn't even get to that first step in the social order. There would be no path to the security we take for granted. Essential goods and services couldn't be provided. There would be no courts, no military, and maybe not even roads. The state provides things that the market can't provide—or so the thinking goes.

Over the course of time, these illusions were shattered one by one for me. Roads, mail, communications, and even legendary public goods like lighthouses—from a purely historical perspective—have all been provided by the free market. Then the government took these over. Courts? In the 1980s, the government courts were already full and so inefficient that businesses and individuals didn't want to use them. Private arbitration was a much better option. Even in regular business affairs, contracts were being written so that disputes had to be solved in private courts. To my mind that meant that even these services were not something exclusive to government; they could be provided exclusively in the free market. It was the same with household and personal security. It's not the state that keeps us safe day to day but our own precautions and preventive measures such as private locks, guns, and security services.

And yet all this was happening for me in the waning years of the Cold War. A nuclear holocaust threatened us every day. Foreign enemies surrounded us. The communists wanted our way of life. It seems a bit nutty even to talk about this today, given how incredibly poor and pathetic all countries in the Soviet bloc were revealed to be after 1989. But back then it was scary. We couldn't disarm as a nation because that would risk our way of life.

While reading into the history, I began to find interesting things. The Red Scare, it turns out, was something that ebbed and flowed in US history. People were terrified of the commies in the 1920s, just as in the 1980s. In between there was this weird period when the American and Soviet leaders were considered close allies in the struggle against the Japanese and the Germans. In fact, the United States did many things to keep the Soviet regime in charge, and after World War II, the United States itself helped turn Eastern Europe over to Soviet control. After that, the Soviets suddenly became the enemy again. It was to draw attention to that absurdity that George Orwell wrote *Nineteen Eighty-Four*. (The title is a spin on 1948. The book was published in 1949.)

These facts began to complicate the picture. I don't need to go through the whole of historical revisionism here, but suffice it to say the picture of the United States at war in the twentieth century turned out to be much less clear than it appeared in the ideologically polarized newsweeklies. The Cold War was not a story of devils and angels, despite the nationalist impulse to cheer on one's own state. It was a struggle between states, both of which were inclined toward lying to their people, exploiting their populations, and favoring conflict over peace. It was also impossible not to notice that the more the United States ramped up its war machine against communism, the more the government at home became a menace to American liberty. War, as it turns out, was never a friend of liberty.

Meanwhile, I began to realize that if the United States were ever really invaded by a foreign enemy, governments might help but also might hurt by imposing martial law, nationalizing industry, and taking guns—as governments tend to do in any emergency. In practice, it will be private citizens and markets that will be decisive in overcoming invaders through private means: our own guns, security apparatus, friendship networks, and individual and community efforts. As I thought about it, it was an absolutely laughable idea that we could depend on government for all our protection. Based on experience, government could cause even more harm simply because governments tend to use emergencies to their advantage—and to the advantage of those who empower them (special interests). Even worse, people with power tend to encourage or even create emergencies when they have the power to do so.

This was the course of my development over a period of probably five years. Finally one day I stopped in my tracks and asked myself the following question: Is there anything that the government does that needs to be done that cannot be better and more efficiently accomplished by free association?

I kept turning over the question in my mind. I could think of no answer except that there is nothing the government does that is worth doing that could not be better accomplished through free association. It was a scary thought. Was I becoming an anarchist? Was this thought going to change my life? If I went in this direction, would I be doing something terribly irresponsible? I found solace in the possibility that I had not gone all the way, that perhaps there was something about the way that I formulated the question that overlooked some one tiny aspect of government that I could embrace so that I would not have to regard myself as crazy.

It was in the lobby of a hotel where Murray Rothbard was staying that I finally just asked him this question. I put it to him straight. If I answer no to

the question above as formulated, does that mean I am an anarchist? Murray said yes. I clarified further: if I have concluded that the state contributes nothing of value to the social order and can make no real improvements to what we create on our own, am I an anarchist? He said yes again. I responded: well, I guess I am then. He burst into a smile, shook my hand vigorously, and exuberantly congratulated me, all with his well-known sense of joy. Wow. I guessed the deed had been done.

And yet, I was wrong. The intellectual deed had been done, but it was still too easy to keep the idea as an abstraction, not anything that affected my daily work or life. It is one thing to have some far-flung vision of the light but another thing to see that light all around us. This step took many more years of thinking about particulars such as human rights, market services, the workings of freedom, the way the state functioned in history, and the way it works today. The final stages of this thought process were many years in the making.

What I gradually discovered in the course of my daily life is that anarchism is all around us. The state does not wake us up in the mornings, make our beds, weave our sheets, build our houses, make our cars work, cook our food, cause us to work hard, produce the books we read, manage our houses of worship, give us clothes, keep the time, choose our friends and loved ones, play the music we love, produce the movies we watch, care for our kids, tend to our parents, choose where we vacation, dictate our conversations, make our holidays beautiful, or much of anything else.

These are all things we do ourselves. We shape our own world. Through the exercise of human volition, we all work to make the world around us orderly. This is what the whole of the world population does. We all work from our rightly understood self-interest to find ways to have a good life and work with others on a mutually beneficial basis to see that our good lives do not come at the expense of other people's rights and liberties. Freedom is where the beautiful things in our own lives come from. And this is true the world over. It has always been true. A beautiful anarchy is the great source of civilization itself.

What role does the state play? It interferes. It takes property from us, reducing our individual wealth one by one. It blocks opportunities through regulations and the creation of cartels. It does worse than that: It looks for ways to start wars, it intrudes into our families, it punishes peaceful behavior that harms no one, it slows down development in myriad ways. The state is the great external. It is exogenous to society itself. Most of the world functions as it does, and civilization flourishes nonetheless, because people

struggle to ignore the state as much as possible. What if it went away? I can see no real downside and plenty of upside.

And yet there was still the problem of those who warn of the apocalypse if the state goes away. Most people who believe in limited government (“minarchists”) conjure up this idea. Even great thinkers like Ludwig von Mises and Henry Hazlitt believed this. They all accept some version of the nightmare conjured up by Thomas Hobbes: In the absence of the state, life would be nasty, solitary, brutish, and short. Well, he wrote during a time of political upheaval, a time when religious tribes were struggling to control the state. Life without the state would have been exactly this way—but precisely because of the presence of the state, not because of its absence.

I won't go into every permutation of this notion, nor try to refute every justification for the state in this space. But I will mention a very common intuition that many people have. People say that there is not much point to eliminating the state because people will just create another in its place. I don't doubt that this statement is true. People have the illusion that the state contributes something important to society. They want leaders who rule from the top, even if they know the downside.

Think of Samuel from the Hebrew Scriptures. People came to him wanting a king. He warned that a king would take their property, put their children in servitude, start terrible wars, and eventually enslave everyone. No matter: they wanted a king anyway.

Such is the way people are. They sometimes ask for their own enslavement. That's why the state keeps being reinvented. All credit goes to those who at least understand that it must be limited if it is to exist. But such limits have never really worked. That's why it's better just to let society flourish without one. The great project of liberty is to enlighten people against going for the illusion that any state can be a friend and benefactor of human liberty. This is what the liberal revolution of the late Middle Ages through the Enlightenment was all about. We need to understand the beauty of freedom if we are to achieve it.

Since the opening of the digital age, we've been allowed to observe the stunning creative power of human volition firsthand. Every nanosecond, individuals the world over are working to create new kinds of associations, institutions, capital, and means of prosperity. We are seeing things unfold before our eyes that we never imagined possible even a decade ago. It has only just begun. We are on the ground floor of institutions like 3-D printing, alternative currencies, and cloud-based civilizations capable of giving us more movies, books, art, and wisdom than any human being in past ages could have

acquired in several lifetimes. This newly emerged world is transforming our lives. Take notice: no state did this, no state approved this, and no state is guiding this.

Finally, let me admit that my anarchism is probably more practical than ideological—which is the reverse of what it is for the most well-known anarchist thinkers in history. I see the orderliness of human volition and action all around me. I find it inspiring. It frees my mind to understand what is truly important in life. I can see reality for what it is. It is not some far-flung ideology that makes me long for a world without the state but rather the practical realities of the human struggle to make something of this world through our own efforts. Only human beings can overcome the great curse of scarcity the world has imposed on us. So far as I can tell, the state is, at best, the great annoyance that slows down the mighty project of building civilization.

81 How the State Will Die

Google bought YouTube in 2006 at the height of the infringement hysteria. The new owners got busy trying to get the platform up to legal standards and avoid billions in pending lawsuits. It seems that users had been posting a vast amount of copyrighted material, and Google was going to be held liable.

Over the next three years, the takedowns happened furiously. Users were having content deleted. Short films that used copyrighted background music found that their videos were silenced. Tributes to popular artists that used their songs went dark. Even videos of people dancing to a tune on their radio were torn down.

This was not fun for anyone. The artists didn't like it. They are mostly flattered by tributes and happy to get their music out there. The copyright owners didn't really benefit from it either. They get no new revenue through takedowns.

Google didn't like it because of all the expense of creating bots to crawl the site. It was also embarrassing when the bots would take down a video of a child's party because the kids were singing "Happy Birthday." For consumers and users, to have your video removed is an unforgivable insult.

No one really benefited from this system. And it was becoming more difficult to manage every day as uploads grew and grew (forty-eight hours of new video appear every minute). But it continued, nonetheless. The presumption that copyrighted music cannot be posted on YouTube was built into the system.

No one really liked the way the system was working itself out. But it was hard to figure out another way. This is the system the law built. Surely, the law must prevail regardless of how absurd the results are. It was like the scenes in Arthur Miller's *The Crucible*: no one in Salem really believed in the practice of killing witches, but people went along with the slaughter because that's how the system worked.

Clearly, the law had set up an untenable situation. It created a system too costly for everyone. It was unsustainable. But what would change it and how? This is where the creative forces of the market economy came to the rescue.

Google worked out a new system of placing ads before videos and at the bottom of videos. Many of these ads are incredibly interesting, by the way, and not annoying to users, as they might be. (The whole institution of YouTube ads deserves an article of its own.)

Further, Google worked out a deal with users and copyright owners. If a given video infringed, the owner would be notified and would then get a choice to either order a takedown or have an ad put up on the video from which the owner would derive the revenue. Almost everyone took the revenue solution, simply because it is more advantageous to the owner to gain than to slap the uploader around using the law.

What the owners have learned in the process is something that has been obvious to many of us for a long time but, for some crazy reason, was often lost on the enforcers. They learned that what looks like a violation of the law and infringement on property rights can be re-rendered as a form of peaceful advertising. Business enterprises have no greater enemy than obscurity and no greater friend than attentive people who might turn into customers.

Today, YouTube hosts vast quantities of material that, two years ago, was considered to be pirated and illegal. It is all there serving hundreds of millions of users who don't pay a dime to get to it. It is doing what Napster did at the turn of the century, before it was destroyed by the government. But this free access is funded through peaceful forms of advertising. What the law had turned into a war of all against all the market converted to a system of peace and plenty for everyone.

This is an absolutely brilliant solution and a fantastic example of how the market is capable of providing peaceful solutions to problems that the law would otherwise handle with coercive brutality. The market solution here is “breaking bad” in the sense that it is an open rejection of everything the state is trying to stop. But because the costs of the coercive approach grew too high, the market found another way. War is expensive.

Prosperity requires peace. The state wanted war but the market said no. It would be far better if the regulations and monopoly protections were repealed and the market itself charged with the task of hammering out commercial models of distribution in absence of intervention. But rather than waiting for the law to change, the private sector found a way around the law.

This solution is changing the ethos of music distribution. When the South Korean singer/rapper PSY came out with his “Gangnam Style” video and song, it went viral beyond anyone's expectations. It is poised to become the first YouTube video to receive one billion views, and it has happened in a very short period of time.

PSY (Park Jae-sang) is an artist who had previously languished in obscurity for a decade. He knew the value of exposure. When his song began to be pirated, when restaurants opened with the name Gangnam Style, when T-shirts and products began to appear all over, he absolutely refused to enforce his intellectual property. He very cleverly saw that sharing can only be good for him. And sure enough, he is estimated to be raking in \$8.1 million this year from iTunes downloads, concert tickets, and advertising alone. Thanks to his refusal to participate in the state's system, he has become one of the world's most famous musicians, and he will soon be one of the richest too.

Let's reflect on the lessons here. In our time, the state's regulatory apparatus, not just in intellectual property, but in every area of life, has set up an untenable situation for nearly everyone. Even those who imagined that they would benefit from it are not doing so to the extent they believed. That is because the march of history does not stop in the face of even the largest attempts at enforcement. The market will prevail—which is just another way of saying that human action will prevail over the coercive machinery of the government—in the long run.

We are seeing this in every area of life. The state's drug laws are under serious pressure from public revolt against horrible waves of imprisonment for actions that most people don't consider serious crimes (like smoking pot). The war on terror has everyone exhausted and drifting toward noncompliance. The public school monopoly is slowly eroding due to the forces of home schooling, online learning, and creative market alternatives.

Even banking is undergoing an upheaval, despite the Fed's and the Treasury's attempts to monopolize the system. The new currency Bitcoin is growing and flourishing, despite every attempt to call it a fake and a fraud. New payment systems are popping up every day in the form of gift cards and instant charge cards that you can fill with cash. Digital applications are enabling new ways of lending and borrowing that completely bypass the official state system.

Folks, if you want to see how the state collapses in the future, this is the direction to look. It won't happen through politics. It won't happen by top-down reform. It won't happen even through seminars. It will happen through the trial and error of entrepreneurship, because the market will not sit still. Faced with the ghastly costs of the anachronistic nation-state, it will continue to find creative and surprising ways around the coercive apparatus, effectively inventing new realms of freedom that permit progress to occur.

Every act of entrepreneurship is revolutionary and rooted in the anarchist spirit. It strikes at the heart of the status quo. It dares to be dissatisfied with

what is. It imagines something new and better. It brings about unexpected, unapproved, and progressive change by adding a new dimension of experience to how we understand ourselves and how we interact with others.

Without entrepreneurship, history would lack forward motion, our understanding of the uniqueness of our time in this world would be forever undefined, and society itself would atrophy and finally die. With it, every attempt to control and freeze the world faces opposition and long-run failure.

History teaches that those who dare stand in the way of human progress will eventually be run over. Yes, there is plenty of friction and too many victims as we get from here to there. But we will get there, one creative act of disobedience at a time.

82 Getting Serious about Freedom

Is there anything that we can do to stop the government's data mining of our email, phone calls, and other digital habits?

I moderated an entire panel on this subject during FreedomFest in Las Vegas last week. The room was packed from front to back, standing room only. Clearly, there is a great deal of interest in the topic.

Or maybe “fear” is a better word.

No matter how much people have come to expect that government is not really protecting us, it is still destabilizing to realize that our government is conspiring against the rights, liberties, and privacy of the public.

It's true that for years, we've heard rumors that the government had been spying on our private online activities. But the revelations from the Edward Snowden files have been alarming, to say the least. Every few days, there are more. It's not just you and I who are upset. Diplomats and politicians the world over are rocked at the news that the United States is spying on their emails as well.

Each new leak adds to the picture. And the seriousness and truthfulness of it is further reinforced by the US government's response. In fact, they have not apologized, backtracked, or even shown an ounce of embarrassment about the program, let alone fixed the problem or put in guarantees that it won't happen again. They are hounding the messenger and attempting to stop him from gaining asylum somewhere in the world.

This is the way that American imperial power is being used. Not to advance liberty, but to turn the big guns on people who expose hypocrisy and show the truth.

The panel began with entrepreneur Terry Easton, who gave a good roundup of the extent of the surveillance and suggested alternatives. Encrypted email, encrypted chat, alternative search engines to Google that don't track your online history, browsing in incognito windows, using Linux instead of Microsoft's Windows or Apple's iOS. All of these approaches figured into his solution set.

My only caution, which I shared as panel moderator, is that it is actually possible to be too paranoid about the surveillance. Not everything we do is necessarily private. Trying to make it that way might amount to a gigantic inconvenience with very little payoff. Familiarity with encrypted solutions is essential, but to throw your whole digital life into upheaval is giving into fear more than is probably necessary.

On the same panel, Anthony Gregory of the Independent Institute provided some historical perspective. Most governments in most times have spied on their citizens. They love the data. The more data the better. The first great wave of revelations of this in modern times came out in the 1970s, when it turned out that Nixon had used the power of the surveillance state not to protect the citizens, but to spy on his political enemies.

The most surprising comments on the panel came from Georgetown University law professor Randy Barnett. He is interested in the path of litigation against government activities. He is the man who argued the suit against Obamacare in the Supreme Court.

As he explained, the first step in bringing such cases is to find the thing about the legislation or the activity that is unprecedented. If you can do that, you can get away from the endless bog of case law and have the law or practice judged on its own merits.

For example, in the case of the Obamacare lawsuit, he argued that the mandate that employers collect premiums for a particular privately provided program is unique in the history of legislation. Unfortunately, that argument didn't carry the day in the end, but it at least gave the plaintiffs an excellent basis for challenging and arguing the suit. Barnett further drew attention to the public-education benefits for even losing cases.

So how might he argue the case against the NSA's indiscriminate spying? Here was a surprise: He said it is a blatant violation of Fourth Amendment protections against search and (in particular) seizure. Instead of physical property, the feds are searching and seizing digital property that should belong to us and those with whom we want to share it. He further pointed out that what the NSA is doing actually has no basis in any legislation.

Barnett thinks of courts and judges as highly politicized institutions that are often swayed by public opinion. If the public is seething mad about a topic, that fact alone can turn around a case. In this sense, it actually matters what people say and think about real-life political issues. Efforts at educating our fellow citizens, contacting representatives through digital swarms, and even wearing shirts of protest can actually make a difference.

I'm not one for the antics of political agitation and activism. So I found his point to be a real challenge to the way I tend to view the world. It comes down to three points: (1) judges and juries are hugely influenced by public opinion, (2) you can't trust either to do the right thing, but (3) litigating in favor of freedom and human rights can make a real difference even if you end up losing the case in the short run.

How should we respond to the news that the surveillance state is all around us? Professor Barnett urged us not to give up and go live in caves. On the contrary, he said, we need to be more active and public and jealous of our rights than ever before. The government cannot, in the end, control the thoughts of everyone in the population, and the more people who refuse to be intimidated, the harder the job of the government becomes.

What about the rest of FreedomFest? It was a gigantic conference. What I reported above constituted a tiny fraction of this incredible event that attracted some 2,500 people. It drew many academics, journalists, activists of all ages, vendors, investors, and a huge variety of professionals in all fields. And of course, Laissez Faire Books was there in full force. The level of fun was totally over the top. But the content of every session I attended was just spectacular.

I spoke on many panels, did what seemed like dozens of interviews, and even appeared on the Stossel show, which airs this Thursday night on Fox News, at 9:00 p.m. EST. There's too much to report, but I can't pass up the chance to mention another of my favorite panels.

We did an entire session on Bitcoin. Doug French and I spoke along with legendary libertarian activist Amanda BillyRock and anarchist entrepreneur Jeff Berwick. Can Bitcoin replace government currencies? We all said yes, but ... there will be many bumps on the road. Some related to the natural pace of economic development, but others entirely artificial and created by government.

This panel caused the new book on Bitcoin by James Cox to be a hot seller. It is short, technically sound, rhetorically friendly, and loads of fun. The name of the book is *Bitcoin and Digital Currencies: The New World of Money and Freedom*. It provides an excellent introduction to the current situation and the likely future of Bitcoin, explaining all the significance of this implausible success for our lives and freedom.

This was the first time that any FreedomFest panel had addressed such an edgy topic as this. Young and old, professional and activist, were buying this book. And people are learning that it is not as hard to own as you might think.

This panel really sparked some serious interest. An alternative to the dollar? “I’m in.” To me, this is an indication that digital currencies have not only arrived, but will continue to play an important role in the economic development of our times.

Special congratulations are due to Mark Skousen for putting together such a wonderful event. It is rather remarkable to consider how many hats he wears. He just completed an excellent book on investing and the Austrian school, *A Viennese Waltz Down Wall Street*, yet he has also been the visionary behind one of the greatest and more encouraging freedom-oriented events on the planet.

My final takeaway from this event: There is cause for hope, and plenty of it. The future is made not by the NSA, not by the Fed, not by the Department of Homeland Security, and certainly not by the Obama administration. It will be made by the insuppressible longing of the human spirit to live free and make a great world for ourselves.

83 The Patent Bubble and Its End

“Then they pop up and say, ‘Hello, surprise! Give us your money or we will shut you down!’ Screw them. Seriously, screw them. You can quote me on that.”

Those are the words of Newegg.com’s chief legal officer, Lee Cheng. He was speaking to Arstechnica.com following a landmark ruling that sided with a great business against a wicked patent-troll company called Soverain.

What is a patent troll? It is a company that has acquired patents (usually through purchases on the open market) but does not use them for any productive purpose. Instead, it lives off looting good companies by blackmailing people. The trolls say, “Pay us now or get raked over the coals in court.”

Soverain is one such company. Most companies it has sued have paid the ransom. Soverain has collected untold hundreds of millions in fines from the likes of Bloomingdale’s, J. C. Penney, J. Crew, Victoria’s Secret, Amazon, and Nordstrom.

It sounds like a criminal operation worthy of the old world of, say, Southern Italy (no offense, guys!). Indeed, but this is how it works in the United States these days. The looting is legal. The blackmail is approved. The graft is in the open. The expropriation operates under the cover of the law. The backup penalties are inflicted by the official courts.

To be sure, the trolls may not be as bad as conventional patent practice. At least the trolls don’t try to shut you down and cartelize the economy. They just want to get their beak wet. Once that happens, you are free to go about your business. This is one reason they have been so successful.

Soverain’s plan was to loot every online company in existence for a percentage of their revenue, citing the existence of just two patents. Thousands of companies have given in, causing an unnatural and even insane increase in the price of patent bundles. Free enterprise lives in fear.

Let me add a point that Stefan Molyneux made concerning this case. The large companies are annoyed by the patent-troll pests but not entirely unhappy with their activities. The large companies can afford to pay them off. Smaller companies cannot. In this way, the trolls serve to reduce competition.

(Stefan made his comments on an edition of *Adam v. The Man*, on which we were both guests. You can watch the entire show on YouTube.)

When Sovereign came after Newegg's online shopping cart demanding \$34 million, a lower court decided against Newegg, but only imposed a fine of \$2.5 million. Newegg examined the opinion and found enough holes in the case to appeal. It was a gutsy decision, given the trends. But as Cheng told *Ars Technica*:

"We basically took a look at this situation and said, 'This is bull****.' We saw that if we paid off this patent holder, we'd have to pay off every patent holder this same amount. This is the first case we took all the way to trial. And now nobody has to pay Sovereign jack squat for these patents."

It's true. The case not only shuts down the Sovereign racket. It might have dealt a devastating blow to the whole patent hysteria and the vicious trolling that has fueled it all along.

And truly, the patent mania has become crazy. No one ten years ago would have imagined that it would go this far.

"It's a sign of something gone awry, not a healthy market," attorney Neil Wilkof told *Gigaom.com*, with reference to the utterly insane amounts that well-heeled tech giants have been paying for patents. "I think we're in a patent bubble in a very specific industry. It's a distorted market and misallocation of resources."

Earlier this year, Google shelled out \$12.5 billion for the acquisition of Motorola Mobility. Facebook threw down \$550 million for AOL's patents. Apple and Google spent more last year on patent purchases and litigation than on actual research and development. The smartphone industry coughed up twenty billion dollars last year on the patent racket. A lawsuit last year against Samsung awarded Apple one billion dollars in a ridiculous infringement case.

These are astronomical numbers—figures that would have been inconceivable in the past. Everyone seems to agree that the system is radically broken. What people don't always understand is that every penny of this is unnecessary and pointless. This market is a creation of legislation, and nothing more. The companies aren't really buying anything but the right to produce and the right not to be sued, and that is not always secure.

Let's back up. Why are there markets in anything at all? They exist because goods have to be allocated some way. There are not enough cars, carrots, and coffee to meet all existing conceivable demand. We can fight over them or find ways to cooperate through trade. Prices are a way to settle the struggle over goods that people grow or make, or services people provide, in a peaceful way. They allow people to engage to their mutual benefit, rather than club or shoot each other.

But what is being exchanged in the patent market? It's not real goods or services. These are government creations of a bureaucracy—an exclusive right to make something. They are tickets that make production legal. If you own one, there is no broad market for it. It has only a handful of possible buyers, and the price of your good is based entirely on how much money you think you can extract from deep pockets. Sometimes, you actually force people to buy with the threat that you will sue if they don't.

That's not how normal markets operate. There was a time when patents didn't even apply to software at all. The whole industry was built by sharing ideas and the spirit of old-fashioned competition. Companies would work together when it was to their mutual advantage and hoard competitive reasons when it was not. It seemed to work fine, until legislation intervened.

Today the entire fake market for patents is sustained by the perception that courts will favor the patent holders over the victims. The Newegg case changes that perception, which is why it has been the most closely watched case in the industry. This might signal the end of the reign of terror, at least one form of it.

But, you say, don't creators deserve compensation? My answer: If they create something people are willing to pay for, great. But that's not what's happening. Soverain's bread and butter was a handful of patents that had been on the open market, changing hands through three different companies over the course of ten years, until they landed in the laps of some extremely unscrupulous wheeler-dealers.

In other words, patents these days have little to nothing to do with the creators—any more than mortgage-backed securities at the height of the boom had anything to do with the initial lender and its risk assessments. Once a patent is issued—and they are not automatically valid, but rather have to be tested in litigation—it enters into the market and can land anywhere. The idea that the patent has anything to do with inspiring innovation is total myth. It is all about establishing and protecting monopolistic weapons with which to beat people.

Many people have been hoping for patent reform. It probably won't happen and might not even need to happen. If this case is as significant as tech observers say, a sizeable portion of this fake industry could be smashed via a dramatic price deflation. When something is no longer worth much, people stop wanting it.

Patents date from a time when a great industrial innovation made the headlines just because it was so rare. That's not our world. Government has no business allocating and centrally planning ideas. Here's to Newegg: Take a bow. Someone had the guts to say no. This time, for once, it worked.

84 Government Will Lose the War on Piracy

It began as a skirmish. Then it was a battle. It became a war. Now it is a bloody conflict that is global in scope. Both sides have passed the point of no return. There is no question who is winning and going to win totally in the end, despite massive carnage along the way.

The field of battle in this case is the digital networks that swirl around the world in arrangements so thick and wide—seemingly infinite points of light that represent human contact backed by technological genius—that they surpass the capacity of the human mind to conceptualize them.

The two sides: everybody vs. everybody's governments.

The death of Aaron Swartz, the twenty-six-year-old digital genius, seems to have been some sort of turning point. The government hounded him, threatened him, planned to jailed him and bankrupt him for life. The ostensible reason for the persecution was that he downloaded research papers with the intent to distribute them. The real reason was that he was using his skills to pioneer new methods of subverting government's attempts to thwart Internet freedom.

His tormentors broke his gentle spirit. He killed himself before they could get their way.

But since his death, there have been thousands of tributes written about his life. His interviews and writings have gone viral online. The organizations he founded have seen new life. His causes have gained new adherents. Hundreds and thousands have been showing up to events to give tribute to his work and ideas.

I'm thinking here of the life and death of Martin Luther King Jr., and how it became a symbol of the urgent and non-negotiable desire for racial justice and peace. After he died, there was no turning back. The arguments and struggles largely ended. There would be no more legal barriers to the freedom of people to associate.

One wonders if the death of Aaron Swartz will take on a similar significance in the demand for the digital freedom to associate. After all, the war against the mass migration from physical to digital cannot be

won by the state. The cloud is humanity's new home—a world without borders, coercion, or barriers. Aaron was a prophet of this dramatic change in the social order that took place from 1995 onward. He understood it like few others.

But is the winner in this war really decided? Think of this. The war on online sharing (“piracy”) has been ongoing for ten years. It has involved ever more spying, ever more warnings plastered everywhere, ramped up intimidation in every sphere of life.

The penalties are more intense. Civil infractions have been converted to criminal acts. Kids have been fined, humbled, jailed. Enforcement has involved military raids and body bags. Every voice of government authority the world over has weighed in to denounce the pirates, the infringers, the copiers, the stealers and looters.

We've been told that viewing unauthorized material, sharing things without permission, saying stuff without checking with the authorities, is tantamount to robbing grocery stores and stealing cars. The penalties are higher than for kidnapping and manslaughter.

And yet look at the results. Right now, this instant, “pirated” material has never been more available online. You can stream practically anything that has ever been filmed or recorded, instantly. The waves of information, licit or illicit, are rising and crashing ever harder in every minute that goes by.

It is impossible to police, impossible to stop, impossible to control, and ever more brazen by the day. The more governments try to stop it, the more there is to stop. And yet the politicians and bureaucrats still swear that they will fight to the bitter end, unconditional surrender as the only terms. It's the ultimate unwinnable war, even more absurd than the war on drugs or the war on demon rum.

It's not criminals who are thwarting the efforts of governments. It is human beings who are seeking out ways to connect and share information. They are acting as people do, using the tools they have been given to find and share value. They are seeking ways to push progress in the world of ideas.

They are using the magical capacity of the Internet to copy—that's its real power and real function—in order to universalize whatever is wanted by others. The driving force is the burning desire on the part of people to link up to their mutual betterment. And this is taking place outside the artificial borders of the nation-state and creating new forms of human engagement and innovation on a scale that no one imagined possible.

But are the “pirates” wrecking enterprise and profits? That's what we are told. But look at it. The *Wall Street Journal* reports that the slide in

revenue for Hollywood over the last ten years has been stopped as “online revenue grew enough to offset a continued drop in DVD sales and rentals.” Subscriptions to streaming sites rose 45 percent, and digital-download sales are up 35 percent. Digital distribution accounts for 30 percent of spending on home entertainment.

Meanwhile, people are still going to the movies. Last year was a banner year. Same with music. We are living in a new renaissance of all forms of art, creativity, media, books, research, ideas—and there are plenty of profits to be made by the smart, creative, savvy, and talented. More than ever before!

As always, the key to profitability is to deliver value to consumers in ways that match their most intense desires. It matters not at all that nearly everything on iTunes can be pirated in some other way, that almost everything on Netflix can be streamed through another venue, that most proprietary software can be snagged somewhere for nothing, that smartphones can be hacked to get things that otherwise cost money, that services from phone calls to online conferencing are available in a gigantic range of pricing from six figures down to zero.

The governments that have battled against digital networks have worked tightly with reactionary interest groups in industry. Their dominant assumption has always been that if the Internet wins, the rest of us lose. That is obviously false. There is no zero-sum game here. Those who have made money in this digital world have done so the old-fashioned way: selling valuable stuff to people at prices that people are willing to pay.

We’ve lost Aaron and it is a terrible loss. But look who we have: people like Kim Dot Com, the file-storage pioneer who was coming up with new ways to take power from the industry/government establishment and put it into the hands of users.

The government tried to ruin him. Read my piece on his case from this time last year: “The Death of File Sharing.” He and his service seemed to be doomed.

He fought back. His servers were destroyed but he has started a new company with new servers: Mega.co.nz. This new service is even more amazing, superencrypted with enough file storage and sharing capacity for a good part of humanity to use. It is also the product of learning. This machine will not be destroyed.

The new systems live in the digital cloud where governments have little to no access. Encryption ensures privacy. These combinations of technologies give all users an opportunity to “secede” from government. If you are looking for a large-scale, anonymous, and affordable file-storage system run by

a company that is a proven survivor, you could probably benefit from Mega: <http://kim.com/mega>.

Mega is only one of many new systems that challenge the governments of the world. There will be many more. They will get even better. The revolution can't be stopped.

This is the way of the future. The watchwords are voluntarism, commerce, and laissez-faire, the French expression meaning that if you just leave us alone, society can manage just fine. We don't need their wars, their authority, their impositions, their legislation, their threats, their fines, their jails.

Aaron is gone, but his spirit not only lives, it pervades the future in every way. Be not afraid: join the side of the winners.

85 The Exploitation of Labor by Government

Considering taking a job with the government? You might want to rethink that. The new survey from Partnership for Public Service paints an ugly picture of job satisfaction at government agencies.

It's worst of all at place like the departments of Housing and Urban Development, Veterans Affairs, Labor, and Education. We find that only 50–60 percent of workers are satisfied with their jobs. To put it another way, every other person working in these concrete bunkers is a wreck.

To be sure, according to the survey, it's not living hell at NASA, the FDIC, and the GAO, but it's dreadful at the Federal Maritime Commission and the US Trade Representative. Even that's not the worst of it. The folks at the Transportation Security Administration seem ready to explode, with only a 48 percent job satisfaction rating.

At the TSA, we find people begging to be fired—testing the limits through unspeakable rudeness, outright thievery, and preposterous antics such as confiscating toys and testing people's hands for built-in bombs. When they don't get fired, they sink into further depression of the sort that comes when a person discovers there are no standards at all.

In the private sector, job satisfaction generally floats above 70 percent. This would seem to be enough evidence to seal it. It should be obvious that the most important first step in having a reasonable chance at a happy life is rather simple: don't work for the government.

Yet for most, government work offers higher salaries and benefits. This is true across all professions except those with advanced training such as doctors, lawyers, and engineers (remember we are speaking about averages here). Yet the security and pay don't compensate for the misery.

It's not hard to understand what's going on here. Being part of the commercial life of a society, where there is a real sense of serving people and where change and development is the goal, is invigorating and life affirming. You are part of something. Your job is part of real life.

Being stuck in a dead zone like government—where the money you make is taken from others by force and used only to beat the paying classes over

the head even more—runs contrary to the noblest aims of the human spirit.

It doesn't take long to discover that this is true. If you are in Washington, DC, you might strike up a conversation in the lunch areas outside a government agency. You will get an earful about the evil of management, the idiocy of coworkers, the sheer depressingness of the whole place.

Why do they stay? The people feel stuck, fearing life outside like prisoners too acclimated to flee. Even when the bars swing open, they sit on their mattresses and wait for the next meal.

It's hard not to feel sorry for these people. They made bad choices in life and now are stymied and risk averse. The job "benefits" are excellent on paper. The raises come regardless of the quality of your work. You get lots of vacation time. The workload is minimal at best. What's not to like?

Well, it all seems fine from the outside. You can make every rationalization. By the time you realize that you should have listened to that inner voice, it is too late. You are in the system. You are part of the problem.

I had a friend who was ill yet had an incredibly creative mind. He was a fine writer and thinker, and a very dear person. He took a job with an agency in DC. He was a good sport and tried to like it. But gradually, he lost touch with his old friends, and his new friends were all from the same agency—drones mostly, people who live to complain.

He ran out of stuff to do at the agency and started to loathe his colleagues, but he couldn't leave. The money was too good and the healthcare was generous enough to cover all the expenses of his Marfan's syndrome. Over time, the spark in his spirit went away and the gleam in his eye flickered out. He stopped writing, stopped thinking, stopped enjoying life. Then, a few years later, he died.

I can't shake the profound sense of loss that I feel over this case. I swore I would never let another friend go this direction without getting a warning from me.

Government work really is a terrible trap.

Not all jobs at the federal government are alike. What draws many people of talent are the political positions, the appointed ones that total about six thousand. It's the first duty of any new president to find friends and benefactors to fill these jobs.

It's all that's left of the "spoils system" that prevailed in the late eighteenth and early nineteenth centuries. The new president would fire the old and hire the new. The whole thing came to an end in 1883, when the civil service came to be professionalized and the permanency of the modern nation-state took hold.

Today, the real state that runs our lives operates outside the influence of politics. There is nothing the elected classes can really do about it, even if they want to. They can hire their six thousand, but those people are coming and going and can do very little to outsmart the permanent class.

Plus, at the end of every political season, the political appointees engage in a massive scramble to convert their jobs from political to permanent ones—and they do this because they fear the private sector and what it would do to their inflated self-esteem.

Yet we can get carried away by drawing too sharp a distinction between the public and private sectors here. The mandated benefits in the private sector, set to increase dramatically with Obamacare, are making these jobs stickier than ever. People are fearful of leaving even jobs they hate, mainly because they don't want to give up these benefits.

The irony is intense. The Left always celebrated mandated benefits like company-provided healthcare on grounds that these benefits give power to labor. Actually, the opposite is true. These benefits give the employer more leverage over laborers than would occur in a free market.

Fearing the implications of being fired or let go—and no one who has had good health insurance ever wants to be without again—workers put up with an uncommon amount of abuse.

In contrast, a clean wage contract allows anyone to say, "Take this job and shove it." Pile a bunch of benefits on that wage contract and suddenly the employee is beholden and stuck in a job he or she can't live without.

These benefits are making the private sector more and more like the government sector. They represent gradual steps away from the empowerment that everyone feels in a world of fluid labor contracts and the freedom to hire and fire. And it's all brought to us by those who imagine they could use the force of government to uplift the working class. It is making this class more downtrodden than ever.

People learn too late in life that their job actually constitutes their major life activity apart from sleeping. It defines us, determines our level of happiness, forges a major part of our circle of friendships, and shapes how we think about ourselves and our role in the world.

Choosing where we work and what we do is a human freedom, a human right—one of the last that we have. Don't waste that right by feeding yourself to Moloch.

86 Give the Gift of Capitalist Understanding

The enormous tragedy for young people today is that so many are sealed off by law from any involvement in the commercial marketplace . . . until it is too late. This means that they know not the heartbeat of civilization itself. This terrible condition persists until their young adulthood.

It is their luxury—for the first time in world history!—to sit at desks for a full decade after they are old enough to be working. Instead of skills and experience, they mostly learn little other than how to be bored for extended periods.

When that time is up, they are thrown out into a world they can't possibly navigate or even comprehend and told: "Get a job, pay your debts, and be a success."

Great system? Not so great.

In fact, this isn't working. This whole trend has turned out precisely the opposite of what the dreamers imagined in the interwar period. People were once thrilled that kids would be liberated from the demands of work so they could be in school and better themselves. The literature and philosophy they would learn!

Their whole presumption got out of hand. In the 1930s, the government banned kids from the workplace to help with the problem of persistent unemployment. Then the government boosted the numbers attending college after World War II. Further, the government created vast numbers of colleges and subsidized others and, finally, gave loans to everyone to partake in this machinery.

It turns out, however, that school might be the worst possible teacher. The workplace is probably better. The old system in which kids worked from an early age alongside adults better prepares them for the practical arts of life itself. It is not the military but commerce that permits us to be all that we can be, engaging reality in ways that draw on our highest ideals and potentials as human beings.

As a result of the bad system governments set up, kids get their first taste of real life at the age of twenty-two and are then shocked to discover

that nobody wants to reward them for having played by the rules all those years. They are expected to actually contribute something to this world, about which they know nothing. When it doesn't work out as expected, they blame the markets, capitalism, commerce, and the 1 percent and otherwise languish in a sense of being victimized. More and more, they just drop out.

How to address the problem? Let me suggest a small way that parents and grandparents can help raise the consciousness of teens toward commerce and the market economy. Instead of giving a gift for the holidays or giving them money they can spend, a better path is to open an online-trading account in their name with you as the overall administrator, populating it with some seed money. Let the young person become his or her own broker. This one action could be a turning point.

You might start with one thousand dollars. The account can go to anyone twelve or older or so. It's a big attention-getting gift. The rules attached to the gift are simple. If the teen loses the money, there is no obligation to pay it back. This is a gift. But if he or she makes money, it is his or hers to keep and reinvest.

Most likely, the teen won't have any idea what he or she has been given. That gives you an opportunity to explain how the financial markets work. They will be amazed to discover that they can be part owners in their favorite companies. You can explain how these institutions developed and what they are for.

This alone will make quite the impression. Crucially, to be an owner of stocks changes a person's perception of their own interest. Instead of joining the culture of hate, the owner might start to cheer on the success of business and enterprise.

If they own McDonald's stock, eating a Big Mac takes on all-new significance.

They will become curious about what makes a firm succeed or fail. They will be interested to discover just how tricky it is to interpret price signals. They will discover what it means to find bargains and avoid overpriced stocks. They'll get interested in what the buy and sell signals are.

One teen I know first attempted to buy stock that had a history of going up, but as soon as he bought it, it turned south. Learning his lesson, he started to buy stock that had a history of going down, except that after purchasing that one it went down further. Crucial lesson: the future is unknown, and entrepreneurial judgment is an inescapable fact of life.

This tutorial period alone will open up a whole new world. And unlike knowledge obtained solely from books, the mind is more focused when

we are talking about real resources and the opportunity to actually do something with them.

Maybe they will start using their smartphones for market research, rather than just texting and Facebooking.

These days, too, there are so many research materials online. Every chart is a click away. Online accounts provide access to vast data. But what do these charts mean? The teen will find that opinions on particular stocks are all over the place and that no one in this world knows anything for sure. Yet you still have to decide, still need to commit. And the teen will also find that there are times when it is best to sit out and stay in safe places without committing.

There is a low probability that the teen will make money this way, and that's OK. He or she will learn from this experience just how hard money is to come by. Maybe that doesn't sound like a revelation, but it truly is for many young people today who have never worked, never experienced that relationship between labor and wages, and never had to make economizing decisions.

It is good, too, not to manage their accounts in every detail. They should be permitted to make some judgments in a real sense. You can suggest that the teen put half in relatively safe places, just to be somewhat protected from the downside. But with the other half, they can take some risks. Penny stocks are a blast. And they can buy into their favorite companies, like Facebook or Nike, or a restaurant chain or two—stocks that tap directly into their experiences as consumers. Maybe gold stocks are a good idea—and here is an opening to talk about the relationship between precious metals and hard economic times.

Instead of just being consumers, they will begin to think of themselves as being on the producers' side. They will begin to appreciate just what an awesome responsibility it is to be the CEO of a company who's trying to deal with a huge consumer base on the one hand and a massive number of stockowners who can bail or buy at the slightest whim on the other.

To become part of this is a mind-opening experience. One thing a teen will discover quickly: This is not the easy path to riches. In fact, chances are the teen will lose money within the first weeks and then become risk averse, wanting to move entirely into cash. This is not a good path, however, because, as you can explain, you lose all potential for upside. If they hold a stock that has been creamed but then recovers, they will see with their own eyes the advantages that come from outsmarting the mob, being contrarian, and thinking more critically and outside the box.

What if, after a year or two of account management, the teen ends up losing most of the money? Well, there is a lesson there. Maybe as a society we should show a bit more respect for successful investors and capitalists? What if it is a struggle to keep the account in the black and it never really takes off? No problem. But if the account balance goes up, there will be clear reasons for it. Some stocks and funds did well, and those are balanced out against those that did badly. Just discovering the reasons is an education in itself.

Consider the gift of education you have given. Parents spend such amounts all the time on private lessons, trips, tutorials, clothes, etc. This is an expenditure that deals in some measure with the great problem that faces the new generation, their near-total isolation from the real world that they will soon have to engage in fierce competition.

This one gift could be a turning point in their lives, lifting them out from the rabble that drifts by year after year without giving them a clue about what is going on in the world. It might be the beginning of a brilliant capitalist career and the foundation for serious success in life. It's a risk, but so is everything with payoffs. They will learn that lesson too.

To manage real money provides a kind of education you can't get sitting at a desk and listening to someone else's view of what you should know. To manage real resources is the beginning of a great process of discovering what makes the world work.

87 Why Can't Schools Secure Themselves?

My inbox has been slammed with notes concerning the killings at Sandy Hook Elementary in Newtown, Conn. Given the accessibility of information, and the pace at which it travels, people have treated this event as not just a case of a ghastly local crime, but much more than that, a signal and a wake-up call to the culture at large.

There is no harm in such reflections. The five-hundred-year-old trend toward ever-less-violent societies—a trend that continues to go in the right direction in our time—should be pushed further in the right direction through education and cultural change.

Still, it might be beneficial to ask more focused questions about the problem of security at schools in particular.

In the days that followed the killing, my browser kept taking me back to a Wikipedia link about the Gun-Free School Zones Act of 1990. The law, still intact after many challenges and rewrites, reads: “It shall be unlawful for any individual knowingly to possess a firearm that has moved in or that otherwise affects interstate or foreign commerce at a place that the individual knows, or has reasonable cause to believe, is a school zone.”

Guns of all sorts are banned anywhere near schools. If the government's laws had worked, this killer would have realized that his plan was unachievable. After all, the world's most powerful government had banned the whole idea of guns at school.

But the law did not work, at least not as intended. On the contrary. The killer could be pretty sure going into this that he would be the only one at the school with a gun.

Think of this: Schools in particular have been singled out as a place without the ability to defend against violence. The law has been challenged and revised and debated ever since, but the bottom line stands. Have school shootings declined? Most major shootings now occur in gun-free zones, and nearly twice as many since the act passed than in the twenty years prior.

People have wrongly tended to reduce the debate to more gun ownership or more gun control. It's clear where the Obama administration wants to take this: toward more-centralized control and fewer gun rights. The right responds by pointing to the example of Israel where teachers are heavily armed. That's the choice the mainstream gives us.

Actually, the framing of the whole debate is wrong. It is not about whether teachers should be armed or whether guns should be banned for everyone but state-employed cops. The real issue is whether any institution in society is going to be in charge of its own security, and not be forced to obey the government's plan.

Schools face a problem not different in kind from any other issue of security affecting banks, convenience stores, jewelry stores, theaters, homes, or churches. All these institutions are constantly threatened with violence from random sources. They must all make judgments about the risk of violence and how best to deal with it. There is no one aggregate solution that applies in every case. Each institution needs to determine security for itself.

Just days after Sandy Hook, a shooter attempted to gun down people at the Mayan Palace Theatre in San Antonio, Texas. An off-duty deputy whipped out her own gun and blasted him before the killer could reenact the rampage at the movie theater in Aurora, Colorado. This is probably the first you have heard about this, precisely because the tragedy was averted. The institution will learn from the event and respond in a way that is rational and not injurious of human rights and liberties.

Because school killings engender special social outrage, legislators made them an exception, and this was before airports and airlines received similarly treatment eleven years later with the creation of the Transportation Security Administration. Guns of any sort, unless carried by a cop, were not permitted to be part of anyone's security solution. The federal government knew best, even to the point at which the federal law trumped state laws on guns.

Does this figure into the calculation that would-be killers make as they plot their malicious acts? Certainly. Advertising a place as gun free by law is an invitation to killers. The law says to them that if they can get in, they will have a monopoly on violence. No efforts at defense will be available on the premises to protect the teachers and the kids. I don't see how it could be controversial to suggest that this law is a very bad idea.

To be sure, these killings might have happened anyway. Dealing with violence was the last thing on anyone's mind in this quiet and prosperous community school. All the events might have transpired as they did regardless. The point is that the law removes viable options for the school in dealing with

security concerns. It says: we, the government, know what is best, and our way is the only way.

This is a terrible way to deal with any issue of security.

I am not saying that the school in question should have armed the teachers, the principal, or the students. What matters is who is in charge of security. What kind of incentives does the surety of the absence of effective security grant would-be murderers?

Think of this in the case of your home. Let's say your community passed a Gun-Free Home Act. Is such a law going to be something taken note of by would-be intruders? Is a criminal going to be more or less likely to enter a home knowing with certainty that all law-abiding citizens will not have the means to protect themselves?

Some people might respond that they don't want to live in a society in which school administrators have to carry weapons. I completely agree. But wishing does nothing to deal with the problem of antisocial behavior on the part of a tiny minority. A tiny group is capable of ruining the social order for the rest of us, which is why we need mechanisms in place to deal with them.

It's true in every aspect of life, whether our homes or online forums or banks or schools. Ownership is what allows the security calculation to be rational. Without private property, the destructive element rules.

In the online world, these people are known as trolls. In the online world, they can't be violent, but they can wreck a good thing. A forum that cannot control them or kick them off is not long for this world. If the federal government had passed the No-Troll Act as a way of securing online communities against them, the forums would be all destroyed by now.

It is right and proper to wish for a society of perfect peace. But it is also very smart to have institutions in place that deal with those who do not want peace. Traditionally, people have relied on government to provide this service. This is a grave mistake. Security is inseparable from private property and the institutions of the market economy.

The reason violent crime has fallen by 65 percent since 1993 has not been government. It has been the private sector's creation of advanced technology in the hands of private enterprise: surveillance cameras, private security, alarm systems, increasingly sophisticated systems of screening, and so on. Guns in the hands of private owners have been part of that solution.

The best path forward for schools in particular is to get out from under the protection of government and be put on the same status as regular commercial establishments. Private establishments that own and control their own space provide better security.

Whenever any institution is singled out for special protection by government and called too important to manage itself, that institution needs to worry about its future. That's why the ultimate solution to public school violence is the full privatization of security and of the schools themselves.

At the very least, we need a repeal of the laws that make it impossible for schools to find their own solutions to the threat of violence. In the name of human rights, security needs to be privatized, whether government likes it or not.

88 Why the Rich Immolate Themselves

In the Gilded Age of the late nineteenth century, the American rich walked tall. They dressed the part. Top hats, canes, tails, spats, you name it. They built glorious mansions for all the world to see. They traveled in style, and did so publicly. They were profiled in popular magazines. Indeed, they were idolized and studied and emulated.

Today, the rich are different. They wear jeans and sneakers and ratty-looking sweaters. If they build large homes, they make sure they are inaccessible and nearly invisible. They talk like the people. They affect the way of the common folk. They pretend to be like everyone else. If they are famously rich, they give vast sums away, sometimes to dubious causes. They even call for taxes on themselves.

What's changed?

Here's one theory: property rights are weak today. This came to me in looking at the Index of Economic Freedom and how the United States is slipping further and further. The main reason given in the survey is that property rights are no longer secure here. The government can enter your factory and shut it down anytime. It can freeze your bank account. It can prevent mergers and acquisitions. It can slap on regulations that make your product unmarketable. Civil forfeitures are common.

The more property is vulnerable to looting by any source, the more people have the incentive to hide their wealth. In extreme cases, the rich might have a reason to publicly destroy their own wealth as a signal to would-be looters: I am not worth what you think I'm worth. This might be why so many among the rich are aggressive in their push for higher taxes. It's a way of saying, "My money doesn't matter to me, so it should not matter to you either. Leave me alone."

I'm thinking about this whole subject because I just read an extremely interesting paper by economist Peter Leeson. It is called "Human Sacrifice." He actually seeks to come up with an economic explanation for the persistence of human sacrifice in certain tribal conditions. It's not such a surprising topic for him. He is, after all, the author of *The Invisible Hook: The Hidden*

Economics of Pirates, a book that became one of the most praised and admired historical books in the last few years. It is also a fantastic read.

His new paper looks into the economics of human sacrifice. He focuses on the nineteenth-century experience of the Konds, an indigenous Indian people located in the Eastern province of Orissa, India.

It was an agricultural community that variously prospered depending on weather conditions. Here, annual ritual sacrifice of human beings from other tribes, purchased with money collected from within the tribe, was practiced to great fanfare in opulent ceremonies. It was brutal and ghastly. The number of lives lost is uncountable, but very large, judging from every available report.

The whole thing was justified on religious grounds. But might there be another reason?

Consider a seemingly unrelated fact: The great problem that vexed the Konds was intertribal relations. Within their own communities, they had peace and security. But outside of them, there was insecurity and chaos. It was not uncommon for the Konds to invade other tribes and steal what they could, nor was it uncommon for outsiders to do the same to them. All the tribes lived in fear of each other. Property rights were always vulnerable to invasion.

Professor Leeson tries to connect the dots here and make sense of the sacrifice in light of the insecurity of property rights. By putting on a hugely conspicuous display of disregarding something as valuable as a human being paid for with community money, Leeson theorizes, the tribe was attempting to broadcast the idea that there really was nothing of value to be stolen from them. This was a public act to ward off envy and invasion.

Tellingly, the sacrifice would take place in the middle of the agricultural season. “By sacrificing humans between the sowing and harvesting of crops, Kond communities destroyed wealth preemptively,” Leeson writes. “By sacrificing humans during the agricultural cycle but not appreciably after its completion, Kond communities destroyed wealth before other communities realized their output values and, in the event that those values incentivized aggression, before communities could mobilize for such aggression.”

Now, to illustrate the thesis, Leeson looks at the experience of how the practice came to end. Understandably, British colonial powers did everything they could to stop it. They tried moral suasion. They tried threatening violence. They tried pure monetary payoffs. But nothing worked. The human sacrifices continued.

Finally, the colonial powers tried something more creative. They offered negotiation and justice services that would bring about peace and trade

between tribes, provided that the Konds would stop the ritual sacrifice of human beings. The Konds readily accepted and the practice came to an end.

Professor Leeson briefly speculates on the implications here. How many others have made a show of poverty and wealth destruction as a means of disincentivizing violence? He suggests that this helps account for why monks in the Middle Ages made poverty part of the religious discipline. The Middle Ages were dangerous times to be rich, and monasteries were often exactly that. To avoid attracting looters, pillagers, and invaders, the monks took vows of poverty. (This is not to belittle the religious motivation, but only to say that it had a practical purpose as well.)

This makes a tremendous amount of sense to me.

And the applications of this idea are all around us. I know people who drive old cars when they could easily afford new ones because they want to avoid incentivizing theft. The same is true of people who could live in large houses in the center of town, but instead choose small apartments and keep their large real estate holdings out of public view.

This also explains what have come to be called “self-hating billionaires,” who conspicuously parade their attachment to welfare ideology and redistributionist politics. It’s all an effort of self-protection in times when property rights are so insecure. Better make a display of your disregard for wealth than tempt the state to disgorge you of all you own.

So think of this the next time that you see a sweater-clad Bill Gates giving hundreds of millions to far-flung charity causes that you know probably won’t amount to much. And consider that this might be a reason that CEOs of very successful companies like to follow Steve Jobs’s lead and dress in jeans and sneakers. They might even forego the large house in favor of a minimalist apartment.

People do what they do to survive. When property rights are not secure, the well-to-do make public acts of self-immolation in order to survive.

Should the time come when property rights are secure again, we will see the behavior change. None of us will be truly safe until the rich again walk the streets with pride, live in huge houses in full view of the hoi polloi, and dress proper to their station in life.

After all, a world that is not safe for the rich is not safe for the rest of us either.

89 Will Your Office Pool Get You Arrested?

I'm not a bettin' man, probably because I've lost every time I've tried it. Still, I benefit from those who do. We all do. Betting odds give us information about what others believe, same as stock and bond prices. And this collected knowledge, backed by real property, tells us more about the real world than we can otherwise discover on our own.

Just recently in the presidential election, for example, I followed the election markets on Intrade.com. Here, the odds are formed by people betting their own property on the outcome. They have every incentive to extract every possible amount of truth out there so that they can make their money work for them.

I figured that the markets knew more than the blabberheads on television. This way I could ignore all election coverage. One guy would win, and it would probably be the one Intrade said would win, and then the whole thing would end. I would have used my time during the season doing actually productive things, rather than listening to the dopes on television who pretend to know what they do not.

It turns out, of course, that Intrade was right. Obama won. Romney never really had a serious chance, despite what every Republican operative claimed even up to the last minutes before the election was called. Intrade might have been wrong, of course, but it turned out to be more right than every expert.

My strategy of following the markets over the pundits worked. That's generally true of markets: They are more correct than any individual. Not always, but most of the time.

It further turns out that I'm not alone. Even *Washington Post* energy reporter Brad Plumer wrote, "I'll confess, I spent a good chunk of the 2012 campaign clicking on Intrade.com several times a day to see where the House, Senate, and presidential races stood. All those traders betting on the eventual outcome, I figured, could provide a more accurate synopsis of the race than reading endless blog posts and tweets."

He points out that Intrade predicted forty-nine out of fifty state races as well.

Now just imagine my shock to hear that Intrade, a site based in Ireland, had been body bagged by the government. This news was stunning to me. I had to see it to believe it. I mean, this isn't a meth lab. It's a site for the facilitation of a very normal human activity, namely betting on stuff.

It turns out that the case is a bit more complicated. The site is not shut for international users. This was not the FBI at work here. True, the FBI and US Customs and Homeland Security shut down sites every day. On Cyber Monday, more than a hundred websites were body bagged and stolen from their rightful owners. It's the government's war on your right to know.

Intrade, by comparison, has received kid glove treatment. Americans have been barred from using the website. Everyone else in the world can use it, but Americans cannot, at least not legally. The reason, supposedly, is that Intrade allows betting on price movements in commodities. That puts it under the jurisdiction of the Commodity Futures Trading Commission.

People are trading in an unregulated environment and the US government doesn't like that kind of thing. For most governments in the world, it's neither here nor there, but for the United States? No trading without regulation. Your overlords must approve or disapprove all that you do.

Intrade believes that it can deal with the CFTC's complaints and reopen for Americans too, even though Americans were barely able to use the site in the first place, given the extreme restrictions on cash transfers in the United States relative to the rest of the world.

But some close observers aren't so sure. Rajiv Sethi points out that the CFTC has only recently barred any betting on political elections in particular. A press release dated April 2, 2012 said: "The Commodity Futures Trading Commission (CFTC) today issued an order pursuant to Section 5c(c)(5)(C)(ii) of the Commodity Exchange Act and CFTC Regulation 40.11(a)(1), prohibiting the North American Derivatives Exchange (Nadex) from listing or making available for clearing or trading a set of self-certified political event derivatives contracts. The contracts are binary option contracts that pay out based upon the results of various US federal elections to be held in 2012."

This is a violation of human rights. In a free society, people should be allowed to bet on anything, such as in *Guys and Dolls* when Nathan Detroit tries to trick Sky Masterson to bet on whether the kitchen has served more strudel or cheesecake that day. Nathan had been counting, so the system is rigged. Sky knows it and Detroit gets beaten. So it goes in a free market. People work out their issues and problems in an environment of liberty.

The CFTC will have none of it, but why? What is wrong with having a market in which people trade real property and the results benefit everyone else by broadcasting information? If we can't have that information, we are being forcibly denied knowledge that helps us live better. Nothing is to be gained by shutting it down. And yet government gains from even its stupidest policies. There is usually something going on behind the scenes. What it is and who it is can be very difficult to detect.

Now, you might say this is not really an attack on betting in general. This is a specific case that represents no larger threat. I'm not so sure. In 2011, I wrote about a gambling site that was shut down with no public notice and no controversy. One year earlier, there was a big crackdown on Internet poker that ended up stealing millions in assets. Now we have this attack on what I thought was a very mainstream and upstanding website used frequently by academics and reporters.

The attack on the Internet is real. It is getting more intense. In every case, there seems to be a plausible excuse: futures trading, piracy, counterfeit goods, violation of copyright, financial fraud, national threats, you name it. You can rationalize them all.

But here's the thing. There is a sense in which there is always a rationale for tyranny, always a seemingly good excuse for shutting down human freedom. The mass allowance of human volition always seems dangerous to the despot. That's why freedom itself is always and everywhere on the defensive against all-knowing dictators who are quick to say that they have a better way. But if we let them get away with it time after time, excusing their every encroachment as an exception with a plausible basis in this one particular case, eventually, they will come for you. You will see the injustice clearly and experience the violation personally. But then it will be too late.

I'm firmly convinced that technology and human freedom will triumph over reaction and despotism in the end. Of that I have no doubt. The digital revolution is too far along to be turned back. But there is a lot of static between now and the endgame. It is always a good time to be jealous of human rights and passionate about liberty.

Thank goodness for the geeks all over the world who are inventing technologies that prepare for the worst. So long as governments survive, they will conspire against the people. It's a race between us and them.

The attack on Intrade should put people on notice: there is no safe place for anyone when the regulators are free to do whatever they want for any reason they deem appropriate at the time.

90 Clothing for All: The Slow, but Relentless Revolution

I was out shopping for a new winter coat, hopping from store to store looking for a good deal. To my astonishment, it was almost impossible not to find a good deal. Coats of a quality that once cost hundreds of dollars were everywhere, with prices ranging from \$65 to \$150. I'm sure I could have found some at three and four times as much, but I would have had to make a special trip to a specialty shop like Burberry and pay a high price for status shopping.

In times when almost everything has gone up in price and down in quality, clothing seems like an outlier.

It made me curious about what's happened in the world of clothing over the last twenty-five years or so. In this time, we've seen several major trends happen. Anytime between the Great Depression and the end of the Reagan years, the clothing you bought mostly came from the local department store. Or you could order through a gigantic catalog delivered to your home. That was about it.

Today, discount and secondhand stores are everywhere. You can get designer labels at prices that are surprisingly low. Or you can head to the local big box and pick up just about any sports clothes for a song. Or you can decide to shop online, where you can get anything from sports clothes for next to nothing to high-end suits and shirts for \$100 or so. If you know what you are doing, you can dress like Savile Row on a pauper's budget.

This is a dramatic change. The digital age has opened up options for people who once had very few. In addition, billions of people are in the market as producers who were once not part of it. China was closed in the old days. So were Eastern Europe, India, and Russia. Today, they are all part of the mix. This led to screams of outrage on the part of American textile manufacturers. The end of the world was coming, they said. Except that it didn't come. All that happened was that clothing became cheaper for American consumers.

Clothing is no longer a problem for humanity. It is abundant, just like food and technology. The market has triumphed despite every attempt by government to hobble and wreck it. The long-run trends show that the

opening up of the world, competition in the industry, and the advance of technology have made clothing more available than ever before at ever-cheaper prices.

Matthew 5:40 instructs believers with what once must have been a very hard teaching: “And if anyone wants to sue you and take your shirt, hand over your coat as well.” Today, people might think: Oh, that’s no problem at all. I’ll just snag another one at T. J. Maxx. If that’s all it takes to avoid a lawsuit, I’m in!

And recall too in the story recounted in Genesis, what a gigantic fuss was created over Joseph’s “coat of many colors.” His brothers were so jealous that they plotted his death. When they failed, they stole it and sold their brother into slavery. Then they took the coat back to their father to prove his death, presuming that no one would part with such a thing absent death. These days, Joseph’s brothers would find much more peaceful ways to overcome their jealousy by shopping on eBay.

These instructions are hardly surprising. The struggle of finding clothing to wear was one of the great time- and resource-consuming undertakings of mankind, coming in right after the struggle for shelter and food. It has defined the course of history.

From the beginning of time until a thousand years ago, clothing consisted of hot and heavy animal skins, horribly scratchy wool, and linen, or so reports William J. Bernstein in *A Splendid Exchange*. Cotton was relatively rare, and silk even more so (many fleets of ships and thousands of lives were lost in making silk a universal fabric). The synthetic fabrics that are part of everyone’s daily wardrobe were unknown.

Now we take their availability for granted. Only a generation ago, everyone patched jeans to make them last as long as possible. Now people buy jeans that are deliberately scruffy, torn, and patched just to get the look of old clothing, since hardly anything is actually old. (That people buy these things at all is, to me, the ultimate proof of the subjective theory of economic value!)

To be sure, people complain about quality. Nothing lasts like it used to! But that’s actually not true. If you spent today what people commonly spent on a pair of pants in 1980, which was probably about thirty dollars, you would spend eighty-five. But mostly, people don’t spend that. If they did, they could obtain some pretty impressive trousers. Instead, people buy cheaper clothing so that they can replace it more often to keep up with fashions. You can always pay more for clothes that will last, but this is not where the consumer preferences currently are.

There is another factor that has made the clothing market more dynamic, progressive, changing, and profitable. Clothing is not encumbered by the problem that afflicts so many other sectors of life, namely the imposition of copyright and patent. There are trademarks, but these have done little to stop “piracy” around the world. A world traveler will find so-called fakes freely sold in every country.

What most people do not know is that copyrights and patents are not part of the fashion market. The absence of copyrights and patents has made the clothing sector supercompetitive. What’s on the runway today is freely knocked off and on sale at a fraction of the designer price in big-box stores only a few months later. By this time, the original manufacturer has moved on to making more unique products in the hope of being first to market.

All this explosive creation and copying has made fashion and clothing superdynamic. This means that manufacturers aren’t having to constantly watch their back for fear of being sued or otherwise getting in trouble with the law. This creates one of the freest sectors of trade in the world today.

It is hardly surprising that one of the freest sectors also happens to be one in which prices are constantly falling in service of the consumer, with ever more options for regular people. Clothing is an example of mass manufacturing in service of the masses, and the data reveal just this.

There are lessons here. The freer the sector of economic life, the more it serves society. It illustrates the resilience of the market even in the face of every government attempt to hobble industry and keep economic activity stagnant and predictable. If we applied the same institutional arrangements to healthcare, education, energy, and transportation, we would see similar progress in these fields, rather than the same old archaic patterns generation after generation.

Further, a look at the clothing industry illustrates that the market is always full of profit opportunities and surprises for those who look for them. No one would have predicted that we would today live in a world flooded with clothes, and that even the rarest of things such as coats would be available at low prices to even the poorest in the developing world.

Who is giving the institution of the market economy credit for such wonderful achievements? To understand the cause and effect is to see a path forward for every sector, including healthcare, education, and even law and justice. Falling prices and rising consumer service are the marks of economic health, and the reverse is the sign that the hand of government is in control.

91 Are These the End Times?

Why all the long faces?

The election results seem to have sent many people into fits of depression, hysteria, and rage. Commentators on the Right are proclaiming that the last days are here. The hordes of welfare dependents are taking over. The wealthy will be looted. Business will be destroyed. Demographics and demagoguery have at last come together to create the perfect storm for America. Socialism has at last arrived.

Well, let's all just settle down a bit.

What was the alternative to Obama? The truth is that Romney inspired a very low level of passion among voters. No one knew for sure what he stood for. Not even his tax message was clear. He seemed to call for lower rates, but also promised to "broaden the base," which sounds like raising taxes through the back door. His foreign policy program of protectionism against China and war with Iran actually made Obama's stealthy warmongering seem less dangerous by comparison. All the rest was a muddle.

So in retrospect, there should be no great surprise at the outcome. The betting market called Intrade.com featured election markets that had been correct for the entire political season.

There is no more reason to be morose and maudlin about the next four years than the last four years. The last four years featured some of the worst government policy since the 1930s, most of it coming from the Federal Reserve and the Treasury Department. These policies have broken the banking system, entrenched unemployment, and stagnated middle-class incomes. That would have stayed the same regardless of who was elected.

Yet despite these policies, the market forged ahead. These last four years have seen some of the biggest advances in technology in history, including the app economy, the radical democratization of all media, and 3-D printing.

The world is connected by market networks as never before. Food is more prevalent. Housing is cheaper. The much-feared hyperinflation

Doug French is coauthor of this piece.

never arrived. Having long experience with dealing with stupid government policies, entrepreneurs and capitalists still somehow managed to keep the engines of progress rolling forward. The markets have shown themselves to be resilient beyond what most people imagined.

People in democracies tend to exaggerate the influence and effect of particular presidents. They have some power to steer policy, but nowhere near what people imagine. Most of their talk about their “visions” for bringing a new future is puffery and nonsense. The bureaucracies that make and implement the rules by which we are forced to live pay very little attention to the comings and goings of the political class. Most of what they do was not discussed in the election at all. And presidents have very little practical, day-to-day influence over their behavior.

The state that is the menace to society is not somehow recreated every four years. It is a hundred years old and lives off its own momentum. It is intrusive, debilitating, invasive, and evil, but it is not sent into upheaval upon elections. Its grip grows tighter, but not mainly because of electoral politics. It runs off its own energy and tends to be impervious to political attempts to shift its direction.

That said, sometimes US presidents end up making some degree of difference. But it is by no means a foregone conclusion that a second Obama term is going to be worse than a Romney term might have been. Again, Romney made some very scary noises about shutting down trade with China, raising taxes through deduction repeals, and starting wars with Iran and who knows what other countries. Based on his rhetoric alone, it’s hard to say that Obama is going to be worse.

More significantly, the biggest, for better and worse, political moves of the last half-century were made by presidents who were expected to do something completely different. No one expected, for example, that Nixon would be the man who would go off the gold standard, put in wage and price controls, and establish the EPA.

At the same time, the best thing he did in office, namely make peace with China and open trade, was the last thing anyone expected from this old-line anticommunist. And that is precisely why he was able to get away with it. It is through confounding expectations that political change happens.

We saw this with Jimmy Carter too. Here was a man everyone thought was dedicated to government control of everything. Yet he worked with Ted Kennedy in the Senate to accomplish the great deregulations of the late 1970s that changed life completely and continue to benefit everyone. He deregulated trucking, airlines, and energy. Those were surprising and

amazing moves—accomplished entirely by what we now call the political Left. These three moves astonished the world.

Moving forward, Reagan ran as the most libertarian-sounding president in a century, but he proceeded to balloon the budget as never before and even raise the payroll tax in a way that broke all records. On the other hand, the best thing he did in his two terms shocked the world. He sat down with the Soviet leader and agreed to the hope of eliminating all nuclear weapons. It didn't happen, but the friendship between Reagan and Gorbachev led to an astonishing thaw that encouraged dissidents all over the Communist bloc. The world that the Cold War kept alive melted with the advent of the most peculiar and implausible friendship in the history of politics.

No one thought Clinton would reform welfare, but he did it. And no one thought he would work to repeal one of the most crippling legacies of the 1970s: the 55 mph speed limit as set by the federal government. Clinton did this with very little attention given to the event. But it was a huge boon to the private sector.

The same was true of George W. Bush. He ran as a peace candidate and gave us horrible war.

The message here is that you rarely get what you expect from politicians. Sometimes—very rarely, but sometimes—they do the right thing despite every expectation to the contrary. So yes, Obama might be a socialist, but he is also a politician, and surprises can happen. And regardless of what happens, protecting your rights and liberties is ultimately up to you.

There are huge looming issues in the second term of Obama. The Keynesian path has not fixed the economy, exactly as Hayek predicted in *A Tiger by the Tail*. The spending boom has not stimulated anything, exactly as Henry Hazlitt said it would not, confirming the whole theory behind *Economics in One Lesson*. The monetary stimulus has been an incredible flop, precisely as Ron Paul said it would be in *The Case for Gold*. The whole claim that the government would save us has turned out to be an aspect of what Hans-Hermann Hoppe calls *The Great Fiction*.

This is the end of the road for the planners. The American people are extremely resistant to tax increases. Even on healthcare, some pullback would not be unexpected: the Obama administration does not want to be the trigger that causes more unemployment stemming from higher costs on small- and medium-sized businesses.

The other legislative monster of the president's first term was the Dodd-Frank financial overhaul, which inspired a constant battle cry for repeal from Republicans during the primary season. But while this regulatory dog may

end up biting, for now only a third of the act's required 398 rules have been finalized. The courts have struck down a few of the legislation's new provisions, and more legal challenges will follow.

The Fed is mostly out of options. The central bank can only keep doing the same old QE thing over and over. But while the Fed makes itself bigger, as Steve Hanke pointed out in an LFB interview, the biggest engine of money creation is the commercial-banking system, and the banks are not creating money by lending. Dodd-Frank uncertainty and tough bank examiners are making bankers shy to lend. This has grounded, for the moment anyway, Ben Bernanke's inflation helicopter.

The fiscal crisis cannot be solved through mere reform, but reform would help. War with anyone would break the bank completely, and the military knows this. No one is even talking about gun control anymore, thank goodness. And there is extreme grassroots pressure for letting up on the war on drugs.

This isn't the end of the road for the state, but it is getting close. Politicians are usually liars and thieves, but they are not entirely impractical men and women. They will try the wrong thing a thousand times before they finally relent to the obvious. But eventually, they can relent. If the economy double dips in a serious way, that could prompt a complete rethinking of the path of the last four years of folly.

The bigger point is that the really big changes happening to the world today are taking place outside politics. Russ Roberts puts it best:

Remember that politics is not where life happens. Policies affect our lives, but we have much to do outside that world. Yesterday, I helped my youngest son learn Python, learned some Talmud, played with my photographs on Lightroom, had dinner with my wife, and went shopping with my oldest son for his first nice blazer. Lots of satisfactions there. Nothing to do with politics.

Put Tuesday night behind you for a while. Remember what matters. Take a walk. Read to your kids. Go out for dinner with your spouse. Read more Adam Smith and less of the Drudge Report. And smile at your neighbor. That's always a good idea. But there's a bonus—it might help your neighbor imagine that someone who believes in leaving things alone when it comes to the coercive power of government might actually be a decent person after all. And then maybe he'll be a little more open to those crazy ideas you talked about at that dinner party.

Especially considering the holidays, a time when the beautiful aspects of private life are on display as never before, he is precisely right.

92 Kids: Smarter than Adults

It's happened yet again: I found another movie presumably made for kids that easily beats many of this season's predictable box-office yawners. The movie this time is *The Pirates! Band of Misfits*. It is the story of a socially complex group of failed pirates—people doing their best to make a life for themselves outside official channels—and their captain's search for fame in the "Pirate of the Year" pageant.

This supposed kids movie is packed with subtleties, ironic humor, more struggles, and passing references to pop culture. It deals with big and important themes like friendship, betrayal, fame, and the love of money. It deftly handles politics, with an evil Queen Victoria and her loot.

It asks fundamental questions such as is it really stealing if you take it away from the government? It touches on hard questions of vocation and personality, and the difficulties of balancing the love for one's work and the need for material provision.

The humor even deals with some sophisticated understanding of probability theory, such as when the captain says concerning the pageant: "Every time I've entered, I've failed to win. So I must have a really good chance this time!"

Kids seem to understand the captain's fallacy. Do adults?

It's hard to remember the last movie I saw that was made for adults that offered as much rich content. Feature films these days too often trod over well-packed earth: action, adventure, comedy, romance. Films are cranked out according to the plan and offer no surprises. Most bore me and I can't wait for them to end. But *Pirates* was an absolute delight! I would say the same of *Madagascar*, *Kung Fu Panda*, *Rango*, *Up*, *Tangled*, and some others.

For the life of me, I don't know why adults suffer through all the junk put out for their consumption when they could so easily be delighted by the movies supposedly made for kids.

Apparently, I'm not alone in this judgment. A Michigan nonprofit called the Dove Foundation has observed over many years that the average G-rated film in a five-year period was more than eight times as profitable as R-rated movies. Further, the average PG title was about five times more profitable.

The Dove Foundation speculates that family movies have a larger market because of the absence of sex and violence. Such films are more appealing to the largest swath of the bourgeoisie, they speculate. There might be something to that idea. But I'm thinking that there is a much simpler and less finger-wagging explanation that is not directly related to the moral content.

My explanation is this: Kids movies are better because the kids market is more demanding than the rest of the consumer market. And to put it plainly, kids are more clever than adults and they insist that the services they consume are top quality. Kids easily spot a fraud. The market is merely conforming to consumer demand. It's that simple.

But can it really be true that kids have a keener sense in some areas than adults? Not in every area. Kids have ridiculously short time horizons, for example. But in other ways, they know things that we do not.

Here's an example of where kids prove themselves much smarter than their parents. From an early age, and really from their first interactions with peers, kids become obsessed with their clothes. They have to have the right clothes made by the right makers and with the right insignias and logos.

Parents find this preposterous and maddening. One year, the kid will want a Hilfiger shirt and the next it must be Izod—but the exact same style and color! Surely, this is proof of the outrageous superficiality of the child's mind, the way in which immaturity leads to mental fog, and the intense need for parents to constantly shape these dumbbells into people who can make sound judgments.

But there's the problem: It turns out that the kids are more correct than their parents. Last year, Rob Nelissen and Marijn Meijers of Tilburg University in the Netherlands published a paper in *Evolution and Human Behavior* showing the result of empirical studies of designer labels. In every case, as a report in the *Economist* shows, it turns out that wearing the right label leads to more success in every area of life.

Volunteers were shown pictures of people with known designer labels and unknown labels but otherwise wearing the same clothes. People were asked which person enjoys a higher social and economic status. The designer label wearer won easily.

Silly? Not really. Researchers further tested by sending out people to do a survey. The survey workers who wore designer labels had 58 percent success in getting people to answer questions, but the same people with the same clothes and no label had only a 15 percent success rate. The implication: People wearing status logos have more credibility.

Then the researchers asked people to put themselves in the position of a boss and asked them to hire people from videos of job interviews. The

overwhelming majority picked the people with fancy logos in view, and even rewarded them higher salaries.

Finally, people who collected for charity while wearing designer labels were able to collect more money than those who were wearing the same clothes without the labels. This is interesting because it challenges the first intuition that people just assume that the person wearing the label is richer. Actually, it is even deeper than that: People presume that the person is more trustworthy too. They further proved this point with a game that involved transferring money to people with and without labels.

Overall, then, people who wear designer labels are more successful, more trusted, paid more, and hired more and enjoy better lives. You can say that it's ridiculous, and it probably is, but the kids are the objective ones here. They are intuiting the facts. And they are responding to the world around them in ways that are realistic and likely to get them where they want to be. Parents, completely oblivious to these important realities, try to stop this from happening, under the presumption that the kid is deluded.

My own theory is that the longer people live, the more they entrench themselves in their own biases. They get further and further from a central insight of microeconomics: All economic value is subjective. It is determined by no physical or aesthetic or seemingly rational facts. It is determined by the minds of individuals alone. Those valuations interact with the physical world with the output of objective prices. But what people love and loathe is ultimately their own decision.

Kids have fewer biases and hence are better able to discern emergent social norms rooted in subjective valuation that elude adults precisely because the longer we live, the more we are inclined to believe that we are right and the world around us is wrong. We become ever less willing to consider realities that are not our own. As a result, we miss and misunderstand economic trends.

So how can older people gain the special insight that kids have? I might suggest that we take that extra step of declining to watch movies that are dumb, even if they are made for us, and start watching movies that are smart, meaning that they are made for the kids. Here we will find the wit, the intelligence, the cleverness, the character development, the deeper moral issues, the real-life problems of love, friendship, betrayal, power, liberation, and individuality.

And there's another thing one has to love about kids movies. They are fun. Blessed fun. Take your loved one and see the movie. Fun, if we seek it and embrace it, is something that no power on earth should be permitted to take away from us.

93 The Fundamental Right of Secession

What is the world's smallest country? Monaco? Nope. Malta? Too big. Even Vatican City with a mere population of 770 is huge in comparison.

It's called Sealand, founded and ruled by Paddy Roy Bates, a remarkable man who died this week at the age of ninety-one. He was the original pirate-radio operator and the prince of Sealand, a tiny barge six miles out of the East side of Great Britain, outside the territorial waters of the UK.

From his self-created nation, Bates broadcasted *Radio Essex* in 1965 and 1966, playing rock music at a time when the BBC frowned on it, and generally showed the world how to communicate beyond the bounds of what the law allowed.

We are talking about a serious pioneer here, a man who showed the way toward the Internet of today. In those days, doing this took real guts and vision. He effectively seceded from the nation-state to establish his own as a way of guaranteeing his freedom to speak and make a contribution to life in his times.

His new nation had a constitution, a flag, a national anthem, and he did a brisk business in passports (apparently 150,000 have been issued!). The nation's motto: *E Mare Libertas* (From the Sea, Freedom). As a self-appointed prince, he was once arrested by British courts, but the courts threw the case out because his barge was outside UK territory. He won his freedom through serious trial and effort.

Reading through a 2011 interview with his son Michael, we find not wackiness but entrepreneurial genius at work here, a real legacy. For example, I had no idea that Sealand had been represented at hundreds of sporting events all over the world! This is because athletes the world over have elected the affiliation at fencing events, mini-golf, and even football. There is even a Sealand coin.

It's the real thing. I know what you're probably thinking: make me a citizen now! Well, you can actually go to the website and buy a title for yourself such as lord, lady, baron, baroness, count, and countess. This is capitalism at its best: marketing royalty!

It's hard for us to imagine what was required in those days when Sealand was first founded. Nowadays, anyone can broadcast to the world just by talking into a smartphone and using the right podcasting software. We think nothing of it. We take the right to be heard for granted and use every technological means to see it happen. I can broadcast live from my office here and show you in real time everything that is happening (presuming that you really want to see what kind of coffee I'm brewing right now).

But back then, it was by no means clear that individuals had the right to just broadcast what they wanted. Television and radio were government monopolies. Governments controlled the content. Nothing unapproved was ever heard over the airwaves. It took pioneers like Prince Bates to show us the way and prove that the world would not fall apart if people could say stuff and hear stuff that the government had not authorized.

We got over our phobias about pirate broadcasting—everyone is a pirate broadcaster today and the world hasn't fallen apart—but what about the larger point of this entire episode: political secession? That's what Bates had to do in order to push the world forward a step or two. But today, people recoil at the very notion of secession. But why? If the costs of being governed outweigh the benefits, why should institutions and individuals be forced to maintain the relationship with their governors?

If the government is truly confident that the services it provides us are just fabulous for our well being, why not put it to the test and let people opt out if they regard the costs as too high?

We do this all the time with other services. Let's say we contract for a pesticide service for our home and it works fine for a time. Then suddenly bugs start appearing all over the place. We call but the bug guy doesn't come. They don't return your phone call. The bug situation gets worse and worse. You try to give the company the benefit of the doubt. But at some point, you throw in the towel and cancel the contract. If enough people do this, the company's bottom line begins to suffer. It either has to change its ways or go out of business.

We should have the same system for government. Under the current system that doesn't allow us to cancel the contract—even worse, there is no contract!—the government has no reason to improve. It just keeps dinging our credit card and ignoring our protests. We try to cancel but no one listens. This would never fly in the commercial sector and yet we put up with it every day in the government sector.

The old classical liberals, most famously Thomas Jefferson, saw the right to secede as a matter of human rights. People should not be forced into

association with government that does not serve their interests. But there is also a practical matter here. We need some way to check government's power. Nothing else seems to work. We've tried constitutions. We've tried "checks and balances." We've tried the whole voting thing. Nothing works. The right to pull away and seek out other arrangements to protect human freedom might work where everything else has failed.

Even if secession doesn't accomplish this goal, at least it achieves another main objective. The seceder is rid of the problem of paying for a service that doesn't live up to its billing. That alone serves the cause of human dignity.

Does that mean that we would need to go live on a barge in the ocean? If we choose to do so, that's fine. But digital technology has actually gone a long way toward breaking down physical barriers that separate us. Today I can enjoy mutually productive associations with people from all over the world. We are all finding out that we have much more in common with each other as people than any of us have with our governments. We can work with this model and, if we were allowed to, accomplish secession without ever leaving our chairs.

It is more technologically feasible than ever before. In fact, people are working toward secession in so many ways today—which is to say, people are struggling to get out from under the boot on the neck. Governments' laws have become so burdensome and ridiculously cumbersome that billions of people the world over have decided to go around them in the interest of making something of a life for themselves. This is a safe form of secession.

Secessions have been an important part of the history of liberty. People who break away give liberty a fresh start. That's what happened to end the Soviet Union's stranglehold. And it's what happened in 1776 to establish the new nation called the United States.

The only problem with secession is that the idea is rarely taken far enough. It's great that the South seceded from the Union but so too should the states of the Confederacy have been allowed to secede from the new central government and, in the same way, slaves should have been allowed to secede from their masters. The right of secession is an individual right.

It could happen again today. We still have so much to learn from the life of the great man Paddy Roy Bates. He was ahead of his time. He showed us in the physical world what is possible in the digital world. Of course they called him a pirate. Governments are always behind the curve. He was really a pioneer and prophet of the world to come.

94 The Center of the Conspiracy

I've found it: the organizing cell of what must be the world's most dangerous intellectuals. It is right in this room where a hundred people now sit, listening and discussing. But instead of heated and sweaty plotting, what we find instead is the atmosphere of a nineteenth-century salon: polite, smart, fun. It's the ambition and dream that is delightfully dangerous: to upend and overturn the oppression that most people in all nations suffer and figure there is little they can do about it.

The cause is liberty, property, and anti-imperialism—same as that which inspired the American Revolution. But the place this time is Bodrum, Turkey—a place that seems to have been founded at the beginning of time—at the beautiful hotel called Karia Princess. It's in a land I've never visited before and couldn't even imagine before seeing its terrain out of the airplane window.

Yes, I'm a typical American who has a hard time imagining the existence of vibrant, thriving, beautiful worlds outside the nation-state I know best. The further reaches of Europe's oldest civilization are precisely this, and filled with surprises around every corner.

The commercial district is teeming with modern energy, with all the newest stuff. But just a few feet away, fishermen sell their catches straight from the boat at the wharf, like a scene from a Renaissance painting. The old and new mix in a symphonic way, and to the same degree that multifarious languages and cultures live side by side in peace.

The meeting is the annual gathering of the Property and Freedom Society, as founded and headed by the famed radical intellectual Hans-Hermann Hoppe, a man who has become a legend in his own time. He makes his home in Istanbul, but comes here once a year to run this little adventure. His newest book, *The Great Fiction*, has been published by Laissez Faire Books. The book is on display here and is the talk of the conference.

The book takes on the idea of the nation-state most directly. Nations are real, he argues, insofar as we think of them as distinct groups of people with particular cultures and religions. States are something else entirely—gangs

of elites who bamboozle the population with ideology into giving up property, freedom, and power that should naturally belong to the people. The answer to the future in the Hoppean view: embrace society and abolish the state.

This is an idea that has inspired the world's most daring intellectuals, many of whom are gathered here. What is the purpose of the meeting? To unleash serious ideas from control by the state, its kept intellectuals, and the craven media classes. The meeting is not open to the public. You have to be invited. Who would turn down such an invitation?

The range of people who receive the invitation is intriguing. Here you will find entrepreneurs, professors, independent writers, information technology experts, financial professionals, and even officials and workers with various government agencies. They come from all over the world, and Americans are in a distinct minority. But there is a sense in which the meeting occurring here is enlightening precisely because of its non-American quality.

The speakers so far have addressed Turkish history and its parallels with Spain, a revisionist perspective of modern Iranian revolutions, the millenarian foundation of Islamic political permutations, the place of the novel in popular culture and the problem of property restitution after revolution. There are talks planned on money, media, regulation, and the history of ideas.

In other words, they are all over the map, always intelligent, always learned, always free of conventional, preset orthodoxies. The one rule: no thought is banned. If you into strictures and guidelines for what one must think about this or this, this meeting is not for you. Every talk has caused me to think about some topic a new way.

On the way here, I was preparing for my own talk by doing a close read of Ludwig von Mises's 1922 book *Socialism*. I had bumped into a passage in which Mises contrasts two kinds of property: goods whose value is depreciated in use and goods that can be consumed an unlimited amount of times by an unlimited number of people. Mises gives the example of a painting as the second type.

When I saw Hans at the first dinner, I asked him about this passage and whether it foreshadowed his own scarcity-based theory of private property. Impressively, he remembered the passage perfectly, almost like he has just re-read it too. He granted that Mises was getting close to the right idea, and then pointed out that he developed this notion further in his 1940 work published in German.

Moments like this remind us of what it means to be a great intellectual on Hoppe's level. Ideas live in your mind as real things. Literature and history

animate your thoughts and days. Your capacity for comparing and integrating ideas across countries and centuries occupies a much larger place in your mind than the passing headlines of the day.

The meetings have that same tone. But there is also something else. There is true friendship on display here, a level of camaraderie rarely found in this world. The casual conversations tend to be about everything under the sun, with the exception of the usual talk in the United States today: presidential politics. In fact, I would recommend to everyone in the United States who is fed up with endless disputes between the two ghastly choices to move abroad for at least two months and return only once it is over.

I'm developing the view that political wrangling, especially when there is really not much at stake, is the ultimate enemy of mankind. Partisan politics turns people into enemies when they should and would naturally be friends in a normal society.

In the world of ideas such as is on display here, people can disagree yet still learn from each other. Likewise, and for the same reason, in a marketplace such as you see on the streets of Bodrum, all merchants are happy to cooperate with anyone to mutual betterment.

But with partisan politics, it is different. It's all about hating your neighbor. For example, if a person believes all of civilization rests on a Romney win, he will naturally and rightly regard all Obama voters as mortal threats, wreckers of the good life itself. And the same is true in reverse.

And consider that the demographics of voting are rather predictable. You can often tell quickly how a person will or will not vote by appearance of station of life. That creates prejudice, bias, and even hate. Thus does politics create these stupid battles between people—for absolutely no reason—and wars against the brotherhood of man. They create the divisions they pretend to heal.

And that is the part of the reason for gathering with people who have completely freed their minds from the illusion that the answer to all social woes is to put this guy instead of that guy in charge. Once you realize that the real energy of society comes from within—and that politics is only a divisive intrusion—you are better able to be friends with others and find the good in diversity of thought. You find that great, magical, and rare thing: ideas growing and expanding because they are leavened by sincerity and dedication to seeking the truth.

Any American traveling abroad these days is struck by something strange: the absence of police. You can move about. You can walk here and there. You are not hounded at every turn by the state. I vaguely recall that this was

once true in the United States too. But this has changed. In ten years. That's fast, but not fast enough that people really become aware of it until they travel abroad.

I've recommended for several years that one of the priorities of any young person these days must be to travel. Gain some perspective. See how things work in other places. Discover that other places exist and that there is such a thing as genuine freedom outside the officially designated "Land of the Free." It's a new world and the freedom is on the rise, but not within our borders.

The rest of the world does have something to teach Americans. If this dangerous crew gathered in Bodrum has its way and continues to expand its influence, many places in the world could be on the verge of really showing the way forward.

95 Our World through Thomas Paine's Eyes

I've just spent a harrowing weekend reflecting on Thomas Paine's *Common Sense*, the pamphlet that came out in January 1776 and turned the public toward seeking independence from Britain. I say harrowing because the distance between the ideals found in this pamphlet and those of today's America is so vast as to be nearly unrecognizable.

The presumption throughout the text is that tyranny should never again be tolerated. Despotism was for the old world. Tyranny was outdated. It belonged nowhere in a land conceived in liberty. The only question was when and how to overthrow despotic rule. The upshot of Paine's book was that now is the time. Waiting would only lead to calamity.

It worked. He got his revolution. The British were defeated, and America was born. Freedom had its asylum. The world began anew, full of promise.

Then, in a matter of fifty years, the American experience changed everything. The middle class was born. Lives lengthened. The standard of living soared to new heights. Technology took over. Spectacular things were everywhere. Freedom had done its work. It had liberated the human mind to create, build, empower, and change the face of the earth.

Then something changed again. When? Maybe it was during the Civil War. Maybe during World War I. FDR and the Great Depression entrenched it. Or maybe it was the ghastliness of World War II. Perhaps there was some hope that freedom could be saved even up to the response to the crimes of September 11. But after that watershed of twelve years ago, there was no turning back.

The world that Thomas Paine dreaded—the thing he feared the most and the tyranny that he had dedicated his life to opposing—was upon us. Today, successors like Edward Snowden are not writing monographs for us to read, but languishing in sanctuary in Russia, of all places. The brilliant innovators and freedom fighters of our time are no longer welcome even inside our own borders—in the very country that fought a revolution for the rights of the individual against the state.

Why, then, isn't this astonishing monograph called *Common Sense* censored? If the power elites want to preserve their rule, they probably should consider it. For it is impossible to read this and not get the message: Now is the time. There is no more waiting.

As with other classic writings on this level, you discover things about it in each new reading, material you might not have noticed or been prepared for in the past. This time, I was overwhelmed with a sense that he is speaking to us right now, trying to embolden us to see what is going on around us right now.

I experienced the white-hot rhetoric of this piece while American politics has descended into the depths. The government remains “shut down” for all services anyone might actually use, but fully functional in all its oppressive apparatus. We still pay taxes and obey the regulators, but now the illusion that we are getting something for our money is stripped away.

The whole charade seems designed to remind us just how much we need and love the feds. But the real effect has been the opposite. It is yet another sign that we might be living in the last days of leviathan. The once-indispensable institution, the reputed cornerstone of civilization, the grand power structure of story and song, is looking more ridiculous by the day.

Every service that has been shut down could easily be abolished or privatized. The remaining, supposedly essential parts of the state—the police, security, taxing, regulating, military powers—are actually the most damaging parts of the regime, the ones that bring massive human suffering where it is completely unnecessary.

Meanwhile, right now private enterprise continues on its merry way, providing goods and services to the whole population and doing its best to ignore Washington's antics. In other words, the net result of this shutdown is to make the anarchy government fears appear like an ever-more-beautiful possibility.

But wait. Isn't anarchy something we should fear? The worst of all worlds? Well, maybe not. A world without the impositions of Washington would be initially disorienting, but the disruption itself could yield a new and better world. Society would continue to work, and even thrive. After all, it is not government that makes our lives wonderful, but each other, cooperating through free exchange and human association of our own choosing.

Thomas Paine speaks directly to the issue:

Society in every state is a blessing, but government, even in its best state, is but a necessary evil; in its worst state an intolerable one: for when we suffer, or are exposed to the same miseries by a government,

which we might expect in a country without government, our calamity is heightened by reflecting that we furnish the means by which we suffer.

With government in general sinking in popularity, it makes more sense just to shut the whole thing down, privatize the essential services, sell off the monuments and zoos, tap private enterprise for everything else, return all the money to the taxpayers, and be done with it.

This is what *Common Sense* suggested be done in 1776. Contrary to myth, Paine wasn't actually calling for war and bloodshed. He was calling for kicking the bastards out of their perches of power. He wanted an end to British rule. That doesn't necessarily mean war. It can happen peacefully if the rulers just walk away.

We might call this the Paine plan. The Democrats are denouncing this as the rise of anarchist ideology in the Republican Party. Would that it were so! The truth is that Republicans are just as wedded to the power apparatus as the Democrats; they just feel a greater attachment to some parts over others.

That means in the end, it is up to us. We should all be working every day and in every way to detach ourselves from dependence on our oppressors. We can make the freedom that the eighteenth-century intellectual giants like Paine dreamed of an actual reality. Many of us, if not most of us, are doing this every day.

In Paine's writings, you find a revolutionary idea that he was correct in thinking had descended on the world for the first time. It was the idea of liberalism—classical liberalism, more precisely. His rendering of this idea was particularly radical, but at its core, it summed up the views of a generation that truly did set the world free.

The idea was that society needed no overarching ruler to give it direction. It needed no official church to make it religious. No king was necessary to give society decorum or to manage relations with other nations. It needed no central plan to spell out a list of priorities. It was an attempt to wholly recast the way people thought about how the world works.

And people believed it would work. Why? Because they saw it all around them. The world of the colonies was made by Americans, not by some far-off, distant, deeply ignorant ruler in ermine robes living in London.

In the same way, we look at our own lives and we see and experience beautiful things, but think of it: how much of what we love was actually built by the politicians, bureaucratic armies, and the central planners within the Beltway?

These are the disposable ones.

How enduring is the message of Paine? Listen to these words:

O ye that love mankind! Ye that dare oppose not only the tyranny but the tyrant, stand forth! Every spot of the old world is overrun with oppression. Freedom hath been hunted round the globe. Asia and Africa have long expelled her. Europe regards her like a stranger and England hath given her warning to depart. O! receive the fugitive and prepare in time an asylum for mankind.

It might seem odd to talk about the revival of dynastic, family-based wealth in these days. Americans are living longer, but saving for their own lifetimes even less. More than half of all workers say they have less than twenty-five thousand dollars in total savings and investments, and almost one-third report less than one thousand dollars. Meanwhile, median income keeps falling, and people are being squeezed on monthly expenses.

If people aren't even thinking of their own lifetime expenses, how could they possibly consider the notion of creating intergenerational dynasties of wealth? For most people, this is not even on the map at this point in history.

All true. That's why Bill and Will Bonner's book *Family Fortunes: How to Build Family Wealth and Hold on to It for 100 Years* is the most counterculture book on economics and finance that I've read in many years. It cares nothing for conventional wisdom. Actually, it tears it apart, not just to be cheeky, but rather to report a long series of uncomfortable truths that hardly anyone is willing to talk about.

It has just come out, and it should be the talk of the town. In fact, it will never be a bestseller. Most people will assume that this book has nothing to say to a generation that can barely keep its collective head above financial water. If the kids can find a job at all, one that pays enough to service the college debt, that's saying something. Let's just leave all talk of accumulated wealth for generations to another time.

The Bonners would respond that it is precisely during the bust when time horizons need to lengthen. The worse the economic environment for the kids, the greater the need for a family-based cushion to get them through the hard times. The dimmer the prospects, the more the parents need to be thinking not only of their children, but their grandchildren and great-grandchildren.

But how is this possible when the current generation is in survival mode? The Bonners argue that it is going to get much, much worse before it gets better. In fact, they doubt that the United States will ever recover economically. So why write a book that seeks to help people in the shrinking middle class take a leap into the class of old money? Well, it begins with

this wisdom: making, accumulating, and keeping wealth is not really about making money. That is the effect and not the cause. The real underlying issue is that one that hardly anyone—especially not economists—is willing to talk about. “If there is one thing that marks families with money over the long term, it is this: delayed gratification.”

Those who delay consumption now and think in terms of decades and even centuries will be the survivors. But thinking this way runs contrary to practically all existing financial advice as well as public policy. The money managers want you to churn your accounts and chase the next hot thing. The politicians and central bankers are setting out to punish savers by imposing low returns and a depreciating currency. All this combines to shorten time horizons, and most people just go along without really thinking about it.

The Bonners are urging readers to undertake a complete reassessment. And they begin with the story of an experiment. Kids were given one marshmallow and told that if they wait to eat it for fifteen minutes, they would get a second one. Even so, they were free to eat it right away, but doing so would mean not getting another. It turned out that 30 percent held out for fifteen minutes. The rest munched the first one down.

It turns out that the ability to delay gratification is an excellent predictor of later success in life. The kids who waited had better academic success and higher SAT scores later on. The tests went on and multiplied. It turns out that the ability to wait for higher reward later is predictive of other signs of failure or success, including grades, and even obesity.

The Bonners take the model and apply it to nations. In Haiti, everything grows beautifully, but people are poor, whereas in Switzerland, nothing grows well, but people are rich. They further show that it is not about race: they compare poor West Virginia with rich Switzerland to show that West Virginia would seem to have the resource advantage in every way. The difference is not about fertile soil or access to raw materials, but the culture that supports waiting for the longer term—and policies that make doing so worth one’s while.

But what about policies that punish wealth accumulation? Consider the Jews and their long history of one disaster after another, many of which involved fleeing to avoid extermination. More than any other group, the Bonners write, they learned to prepare, but in a way that did not tie them to the land from which they might be forced to leave at any time. This adversity created a culture of preparedness and other forms of mobile wealth accumulation. Today, Jews are among the richest groups in every society because they learned to survive and thrive amidst disaster and upheaval.

The same is true with many families in the United States and Europe. This is the core focus of this book: the capacity of any individual family to become a dynasty if it takes the right steps and avoids the pitfalls.

When I was visiting Brazil earlier this year, I was struck by how apparent it is that the real money in this country is generation based. It is rooted in long history. The children are taught and prepared to be safe keepers of the family fortune by not living high, but rather through careful stewardship. I had a strong sense that this is more common in Brazil than in the United States, but I could be wrong, since so much wealth in the United States lives in hiding.

The Bonners seem to confirm that long lines of family wealth are the rare exception:

Keeping money and the family together over longer than a generation is tough. Statistically, it's unlikely. Practically, it's hard work. Most people don't even want to try....

Real family money—Old Money—is rare; it's way out on the edge of the bell curve. And it involves sacrifice, not self-indulgence. It involves giving up, not getting. It involves more work, not more leisure.

It is a challenge, not a reward.

The challenges are known. The major one is time itself and the changes it inevitably brings. Aging, marriages, new jobs, business failures, stock market turns, financial upheavals, sickness—all of these are forces that threaten to blow up the attempt to accumulate and protect wealth. The Bonners argue that the goal must be to make the passage of time work for the family, instead of against. That means relentless efforts that favor production over consumption, work over leisure, watching long trends in markets while ignoring the short ones, and building new kinds of wealth in each new generation.

The book is packed with page after page of specific advice and anecdotes about families that built wealth versus those that didn't. One theme I really like in the book is how old money families have learned not to rely on the state in any sense as their means of security. The state has long been the major enemy of families and their security. The welfare state has replaced the intergenerational model of caring for the old and the young. It promises to take care of people, and people have believed it.

It's tragic that so many people have bought into this idea. A popular T-shirt in resort retirement communities reads, "I'm spending my kids' inheritance." Ha ha. Maybe these people believe that the government will come to the rescue for the next generation the same way it has provided

largess for the last several generations of retirees. Actually, this can't last, and the model was never very good to begin with.

In real life, the state betrays people time and again, but the family tends to take care of its own. Blood is thicker than tax dollars, one might say. People with family money are more likely to start and sustain good businesses. They take care of people when they fail. They help them navigate choppy financial waters. They help people through hard times and provide good counsel on marriage, child rearing, education, and much more.

Just think of all the ways in which you might have personally benefited from your parents' guidance, even if you didn't appreciate it at the time, and then expand this model out to the whole of society. The state is a pathetic provider by comparison. The Bonners ask: When times are tough, whom can you call? A federal bureaucrat? Or a friendly uncle?

The Bonners push the idea of a family office in which there is total openness about assets, accounts, and management strategies. Everyone of a certain age should be brought into the picture and taught to think about the long term. Family wealth should be managed like a business, with all the principal players being made aware of what is there, how others are using the money, what builds or depletes it, and how much it must last.

But again, it is not really about money. It is about intelligence and thinking over the long term, which means many generations down the line. Money itself comes and goes. To keep it and enable its growth and continued presence is the special and most valuable skill. This requires not only knowledge and ability, but emotional stability, a work ethic, and the ability to get along with others in the family. These are the attributes that build wealth over the long term.

There are some real gems in this book. The long and passionate attack on charity—saving the whales, eradicating disease, educating the globe—is one of the most politically incorrect things I've ever read. They describe charities as minigovernments that use emotional manipulation to extort wealth from guilt-ridden and naïve people, institutions whose output may or may not be useful, but almost certainly act as a drain on private wealth production:

Without freely set prices, you are wandering around in the dark. That is why so many charity efforts are hapless and vain. In fact, it wouldn't surprise us to discover that all the world improvement projects from the beginning of time to the present were a net drag on man's happiness.

Whoa!

The text is sprinkled throughout with marvelous stories of great families in history, proving that we owe much of civilization not to isolated acts of creation, but to generational and disciplined microcultures of inspiration and support. I'm pretty sure there has never been another book that combines this historical, cultural, and financial analysis with these types of conclusions and with this type of advice (some of which is likely to make you squirm). The information provided in here appears in no economics text and certainly no nightly business report.

This is a very wise book written for people willing to think completely differently, which is to say it is written for that tiny subgroup of the population that dares to rise above the rest and leave a lasting legacy that extends beyond the living. Again, I can't imagine a more countercultural message than this one.

97 Fifty Ways to Leave Leviathan

State management of society is not only contrary to human liberty; it is also unworkable. It cannot achieve what it seeks to achieve, which is often all-round control of some sector of economic and social life. The attempt provokes a social backlash. People find loopholes and workarounds or just invent new ways to make progress possible. This is because people will not be caged. They struggle to be free and sometimes they succeed.

Over the last century-plus, the Leviathan state has gained the upper hand, sometimes through big periods of upheaval but mostly through a million daily nicks and cuts. What if this process is being reversed in our time? What if the apparatus of control is being undermined with a million acts of entrepreneurship that evade the state's attempt to plan and command? There is a fundamental asymmetry between the structure of government and the structure of a networked people.

In our times, innovation has provided people with more tools. And often they use these tools to get around the barriers that politicians and bureaucrats have erected. Some of us take note of them every day. And while we may revel in their cleverness, we don't take time to look at the big picture. Here is where this phenomenon of small ways to break out from and break down the system—which pop culture often labels “breaking bad”—gets really interesting.

Consider the post office. It has not been privatized. It's just fallen gradually into disuse thanks to the advent of email, texting, and thousands of other ways of communicating. It may stick around for another decade or so, but as a kind of zombie. Surely its days are numbered.

This is the archetype. Government was supposed to provide but didn't. Now markets are picking up the pieces and making new products and services that facilitate better living, which reduces the role and significance of public policy. Every time the state shuts a door or closes a loophole, people find and exploit two more doors, two more loopholes.

Max Borders is coauthor of this piece.

If this model of disruption and defiance is part of a larger trend, it provides a very revealing look at a strategy that liberty-minded people ought to intellectually codify, encourage, and practice. We've mentioned it before when we've talked about "hacking Leviathan" and Kirznerian "alertness" to undiscovered methods and approaches.

Compared with politics or the slow road of mass education, the work of hacking Leviathan through innovation is a promising road forward. Something's happening. It's like the singularity for civil disobedience. Pandora's box. Perhaps a series of innovation tidal waves. A whole lot of people are participating in a great unfolding. And if you're drawing up grand social-engineering plans, throw them out. The world is about to get a lot more dynamic.

Here are just fifty ways people are working around state obstacles:

1. **Airbnb:** This service allows people to rent out their homes for a couple of days. It offers competitive prices compared to hotels and gets around the whole of the regulatory apparatus, zoning control, union monopolies, and other barriers to entry. Of course, in some states, hotel cartels aren't happy.

2. **Uber:** Taxis have their licenses, which drive up fares. It's a cozy and well-protected cartel. Uber lets you get around this system, finding great rides in clean cars for better fares—all while checking (gasp! unlicensed) chauffeurs with reputation ratings.

3. **Bitcoin:** Government ruined money long ago. The market has made an end-to-end crypto-currency. It could mean death for the euro, the dollar, and other fiat currencies. The implications are awesome and inspiring.

4. **Private power generation:** Big companies like Google are tired of dealing with regulated utilities. They fear outages and need more reliable power. They're generating their own power. There are only a few, but then again there used to be only a few rich guys using cell phones. That's where innovation happens. Then, the price goes down and the quality goes up. Moore's Law kicks in. Someday this trend could challenge the grid.

5. **Concierge healthcare:** Doctors are opting out of Obamacare and the third-party-payer system. Pay them up front and pay them out of pocket. Get the care you need and go buy a catastrophic plan if you can (instead of taking whatever's on the Obamacare exchanges).

6. **Bitmessage:** Want to evade the surveillance state? Bitmessage is the latest in crypto-communications, poised to replace email. A few more tweaks on the user interface, and we are good to go.

7. **Email:** The process of destroying the USPS as a monopolistic provider of mail is pretty much a done deal. It took twenty years, but now email is the new first-class mail. Meanwhile, the government's service loses billions

each year. Such a moribund provider could go for decades as a tax-subsidized monopoly. But the market moves on.

8. Silk Road: This anonymous website lets you use crypto-currency to buy illicit substances, including not-yet-FDA-approved drugs and food. You might find this alarming but consider: the site brings a beautiful peace to an unstoppable market that government has otherwise caused to become violent and deadly. (Shut down on October 2. Remember Napster. The hydra lives.)

9. YouTube copyright rules: They were once simple, but as remixing, parody, and covers evolve, the exceptions to strict copyrighting are growing. Now a Miley Cyrus video released at sunup is covered a thousand times before sundown. In effect, the initially imagined scenario of copyright—government confers monopoly status on every piece of art—is dying before our eyes.

10. 3-D printing: Not only will people circumvent unconstitutional gun restrictions (like Cody Wilson has), but people will be able easily to get around patents and regulations by printing their own high-flow showerheads. When everyone is a maker, no one is regulated.

11. P2P lending: Prosper and Lending Club let people bypass big incumbent banks and crowdfund as borrowers and lenders. Where there is communication, there are deals being made.

12. Health-coverage cooperatives: It doesn't have to be just Christian organizations that set up health-coverage coops. These groups cover catastrophic healthcare costs for members, bypassing—for now—Big Insurance and the government regulatory apparatus. (See also this group.)

13. The raw-milk movement: The government has tried for decades to suppress this unpasteurized brew, but fans won't be stopped. Buyers' clubs are everywhere. The more the feds crack down, the more the demand for the product grows.

14. Private arbitration: If you have a dispute with someone, the last place you want to end up is in the thicket of the government's court system. People are opting for private arbitration. Private arbitration may be nothing new, but the extent of reliance on it is. There are a zillion brick-and-mortar arbiters. Online, Judge.me is now defunct, but Net-Arb is still working. Stay tuned.

15. Escrow: How do you guarantee that you will get what you pay for online? Escrow.com is glad to hold the payment and verify the transaction before rewarding both sides with the results. It is security for property that lives in the cloud—and no government courts (or even laws) are involved.

16. Space tourism/exploration: XCor, SpaceX, and lots of other groups are getting into the private space race. They're doing NASA—only better, faster, and cheaper.

17. YouTube stars: People like Lindsey Stirling, Rebecca Black, and a thousand others are bypassing the old centralized system of getting an agent and begging a monopolistic record label to take control of your life. Lindsey has made sharp YouTube videos that have launched her into stardom, complete with lucrative tour dates. Such decentralization is happening in movies, music, and more.

18. TOR/Deep Web: This browser for the crypto-Web bounces your originating IP address all over the planet. That way you can surf anonymously—i.e., away from the eyes of the NSA panopticon.

19. Universal publishing: At one point, a few people maintained the primary conduits of information. Blogging and Web publishing make it easier to express yourself. Censorship has become nearly impossible. The newspapers are finally staking out their territories online. But they are losing control of the primary conduits of information. Tumblr alone has fifty million unique publishers. (Liberty.me will offer a new, distributed platform soon.)

20. Death of prescriptions: You can order your inexpensive drugs from many countries now—safely, cheaply, and securely (and with no prescription). No need to give your overpriced Obamacare doctor or Big Pharma a cut.

21. Medical marijuana/decriminalization: States are relaxing their prohibitions on marijuana. It's becoming increasingly clear that the drug war is lost and that some drugs, like cannabis, have real therapeutic value. Regardless, prohibition is a fool's errand and punitive measures are increasingly viewed as cruel and unnecessary. Even as the crackdowns continue, these are the first signs of the drug war's obsolescence and popular dissent.

22. Expatriation: Sometimes if you don't like it somewhere, you just have to leave. It's easier and easier to find better climes, whether for weather, taxation, or culture. Expatriation from the United States is reaching record levels in 2013. While this number is still only in the thousands, the option to leave is there and more people are availing themselves of it than ever.

23. Startup cities: People in developing countries are starting to understand that rich countries are rich for a reason. So poor countries are starting to import good institutions, or are “rezoning” for prosperity (all while the rich countries are going in the wrong direction). Outside of China's special economic zones (SEZs), Honduran startup cities are a new experiment worth watching.

24. Seasteading: Blueseed is one of the earliest examples of entrepreneurial ventures that will take people to the sea in search of opportunity and superior rule sets. The Seasteading Institute has also successfully worked

with a Dutch firm to design the first seasteading modules. The harder the tax and regulatory state pushes, the more viable the sea becomes as a place to live and do business.

25. Radicalization of media arts: Goodbye network television from the Cold War era and hello subscription-based content. The shows that are running (*Breaking Bad*, *Orange Is the New Black*, *Mad Men*, *Boardwalk Empire*) sport themes of defiance, disruption, and the persistence of freedom in the face of regimentation. Not only is the a la carte model disruptive, the content is subversive.

26. Private schooling/homeschooling: If you don't like the government schools, take your kids out. Millions of families are doing it. Some are even forming virtual coops and getting content from online sources.

27. Online education: Are you after a real education or a signaling mechanism? MOOCs and other online sources (like Khan Academy) are reducing the costs of education—away from the inflated guild of higher ed and publicly funded indoctrination camps.

28. Alternative nicotine delivery: From a revival of roll-your-own cigarettes to snus (smokeless tobacco) to e-cigarettes, people are responding to health concerns and ever-higher cigarette taxes—just not the way antitobacco zealots think they should. Cue increasingly shrill backlash.

29. Farmers market cooperatives/urban homesteading: Farmers market coops have people trading goods in kind. People barter and contribute their labor outside the auspices of government skimmers. Plus, people in big cities are growing their own food—USDA free.

30. Private neighborhood security: Check out new apps like Peacekeeper. It's just one example of the ways local communities can reduce the cost of security and emergency services—and keep it local.

31. Barter markets: If you are in business, you know the score. If you can trade services or goods directly, it's best to forego the paper trail. You donate programming time, I'll give you Web space. You promote my product, I'll promote yours. If money doesn't change hands, you can avoid all kinds of problems with the government. Barter has become a natural response to the tax collector.

32. Email/social-media swarming: With social media, it is possible to ignite popular outrage against the machinations of legislators. The outcry against SOPA/PIPA is a good example. The floods of protest against invading Syria had an effect on the pullback from that near disaster, too. Political activism will never be the same. It's desktop democracy. Aaron Swartz lives forever.

33. Camera phones: One powerful weapon against the state is probably in your pocket right now. Consider Copblock and the Peaceful Streets Project. They keep cops accountable through tech-enabled “eternal vigilance.” The more people who stand up in the face of intimidation (or simply film from their windows with a zoom lens), the better.

34. Private venture-capital markets. There’s a problem with Fed-set interest rates. No one really wins. Since the policy of zero-percent interest rates began, a gigantic nonbank lending and borrowing sector has picked up where the banks left off. And its rates are set by the market.

35. P2P file sharing: The survival and persistence of file sharing through “torrents” shows that civil disobedience in the face of intellectual monopolies is alive and well, despite a twenty-year war on the practice. The more the monopolists fight, the more file sharers win.

36. Speed: At a certain point, no one bothered driving 55 any more (not just Sammy Hagar). People sped en masse until Congress decided to let the states set speed limits—higher. It’s a paradigmatic case: People disobeyed until the law was changed.

37. Crowdfunding: If you need startup money, you can pass around the virtual begging bowl. But it can’t be just any old thing. You have to convince the crowd to let go of their resources. But that might be a much lower barrier to get over than snagging the attention of venture capitalists or prying a loan out of your bailed-out bank.

38. Social entrepreneurship: The welfare state tends to make people dependent supplicants. Foreign aid does, too. But entrepreneurs with causes are creating better ways of helping the poor, from microfinance to the return of mutual aid societies like the Christian healthcare coops cited above. The social-entrepreneurship sector is enjoying a tech-enabled renaissance despite the state. (See also young social entrepreneurs.)

39. Medical tourism/opt-out: For a while now, people have been taking their medical problems to other countries that offer comparable care more cheaply and without all the red tape. In fact, people used to come from Canada to get care they couldn’t get in the land of “free” healthcare. Medical inflation is so bad in the United States now that a lot more people are leaving to get treatments abroad, or opting out of the third-party-payer healthcare cartel. Meanwhile, some people are leaving to get treatments the FDA hasn’t approved.

40. Self-managing organizations: Firms like Valve and Morning Star show that you don’t need formal hierarchies—“bosses”—for an organization to run well. These firms might teach us that the world doesn’t need bosses, either.

41. Tax sheltering: Value creators are tired of having their rewards raided by the people with the guns and the jails. Apple, for example, uses a multinational tax-sheltering scheme so complicated that mere mortals can't possibly follow it. The result: extra capital to make the iPhone ever cooler. Politicians whine but consumers cheer. (Just when you thought Swiss privacy laws were finished, there's no doubt that clever people will find new ways to hide their capital from the state.)

42. Supper clubs: Underground foodies are paying visits to chefs and great cooks outside the auspices of the public-health nannies. Every home is a restaurant, every kitchen an income earner. Similar supper clubs sprouted up in Chicago when aldermen in that city banned foie gras (a ban that was eventually overturned thanks to popular outcry, civil disobedience, and counter special interests).

43. Offshoring and inshoring: Sometimes corporate taxes, union controls, and regulatory control are all just too much. US corporations take their production elsewhere (currently the United States has the highest corporate tax rate in the world, when state taxes are taken into account), even as foreign corporations venue shop for the best production facilities in the United States (away from high taxes and cartelized unions).

44. Food trucks: Brick-and-mortar restaurants love regulations because they can keep a boot on the necks of competitors. That's why cities that tolerate food-truck culture are giving these restaurants a run for their money. If you can stand to eat your tacos on a park bench, it might be worth hitting a food trailer—the ultimate in microentrepreneurship. They are often at the forefront of experimentation and variety.

45. Social networks and Skype: Millions of people from all over the world are interacting as if they were next-door neighbors. Subtly this blurs the lines created by nation-states and creates a far more cosmopolitan world—one that exposes the arbitrariness of jurisdictions that you may or may not happen to have been born in.

46. Driverless cars: The technology is here. It certainly changes the calculation for distracted or intoxicated drivers, and it fixes the problems with public roads the state won't fix. Driverless cars will give us safe, automated travel and deny the state funds it gleans from hassling people for both major and minor offenses that result from bad infrastructure, human error, and poor judgment. It'll just take one or two areas of the world to deploy them successfully to unleash the change.

47. Crowdsourcing private equity: Kickstarter and other online fundraisers were required by law to restrict their services to donations and not sell

stock. But what about premiums for donations? How big can they be? The limits are being tested. In a few years, you will be able to buy startup equity with Bitcoin and the whole world will benefit. In any case, the loophole has already been created.

48. Private conservation: You can be an environmentalist without agitating to have pristine lands given to the state for taxpayer management. Groups like the Nature Conservancy and Ducks Unlimited do great things when they don't turn land over to the state. And private individuals are opting to conserve land rather than sell it.

49. Immersive environments: We're in the process of creating the Matrix around us. From Second Life to immersive games, we may soon see linkages between the virtual world and the crypto-economy that result in interesting new forms of order.

50. Twitter revolutions: Having troubles with a tinpot dictator or religious zealots? Organize, demonstrate, and overthrow with Twitter—#overthrow. (But be careful you don't end up installing a regime that's worse than the one you helped overthrow.)

Now that you see the machinery in operation, step back for a moment. Imagine that the world spinning through time has been like an onion. Over the years human beings have wrapped layers of progress around our blue orb. First it was the Stone Age, then the Agricultural Age, then the Industrial Age, then the Commercial Age. Now we live in the Connected Age.

In this most recent era, a lot of interesting stuff is starting to happen—the most interesting of which is the increasing obsolescence of the state. It doesn't know anything we don't know, and the only thing it can do that we can't is force everyone, at gunpoint, to fund its whims. Our knowledge is crowdsourced, and we never stop learning from each other. We are integrated as in one global, self-ordering city. A few people are starting to see that the circumstances of birth and culture are contingent and the lines are blurring. National boundaries are less tied to the people within them.

The cost of connecting with other likeminded people is going down. Each of us in our private spheres of activity can get on with the business of interacting without the need for terra firma or permission. It's as if we're creating communities in the sky and commerce in the ether. It's nobody's business because millions of us simply make it so. It's the ultimate form of democracy.

There may be a technological arms race with "authorities" in the short term, but unless said authorities are willing to get really totalitarian, really fast,

the pace of interconnection and creation will simply overwhelm them—even as they try to regulate it all away (with the best of intentions, of course).

This is the way bad laws and bad regimes die. Enforcement becomes impossible. Exceptions are made. Authorities get exhausted. People feel emboldened. It happened this way with anti-usury law in the Middle Ages. Eventually they became unviable in the face of modernization.

And in the days of Prohibition, the law meant every other neighbor was participating in the black market. Repeal came not because Al Capone and his competition were playing shoot-'em-up. Repeal came because Americans learned the hard way that you cannot legislate morality—not easily, anyway. And the bootleggers didn't have Snapchat, Bitcoin, and Tor.

Now, imagine not just alcohol, but ten thousand simultaneous products, services, and communities operating concurrently. And in each of these ten thousand products and services, imagine markets of millions.

It seems there are a few possibilities for the state given its largess and power:

- Grow rapidly along with these industries—metastasizing throughout this economy, creating millions of virtually Gestapo-like agents that would have to cross national borders to track people down and keep them in line;
- Make examples of a few people in each of the ten thousand industries with punishments severe enough to frighten the rest and keep everyone else in line, causing many of those grayish industries to go out of business; or
- Skim a little bit off all of it, but tolerate it.

In any of these scenarios we can imagine cooperating international agencies, maybe coalescing into something that would be a big, rather rabid INTERPOL with the eyes of the NSA and the aspirations of the UN. It's not inconceivable that this creature would come into existence. In fact, it seems rather likely. After all, these new communities and markets would be international.

But how long will the state be able to keep up with the dizzying pace of innovation, as this civil disobedience hydra sprouts two heads in the place of any one severed? Unless the state gets really repressive really fast (and we're all prepared to let them), its functionaries will not be able to control the swarms and the gales of creative destruction those swarms bring with them. Fifty ways will become fifty thousand. This is our present. This is our future.

VII

THE WORLD CAN BE MADE ANEW

I spent a fascinating weekend hanging out with a few hundred of the smartest, most forward-thinking college students I've met in years. It was a real inspiration to see how these young people are preparing to navigate an economic and social environment that is so radically different from anything their parents knew.

Rather than defeatism and despair, I detected a strong dedication to creativity, entrepreneurship, and living a great life despite a system that seems dedicated to bringing them down.

They were gathered for the New York regional conference of Students for Liberty, an organization that is absolutely on fire in its growth and spread around the world. My trip and closing speech were made possible by the Foundation for Economic Education, an innovative partner with Students for Liberty and other students.

This was one of four regional conferences taking place on that very day!

What seems at first to be a political movement is becoming more of a social movement of young people who are determined to claim human liberty as an operating principle in their lives and careers.

Many of the students I spoke with, for example, are thinking very seriously about launching startup companies and actively taking steps to make that happen. They are assembling their network of talent and sharing ideas. They are dreaming of independent lives and making it big—on their own terms.

So here is the plan, which many out of college are already pursuing. Their educations and degrees are parlayed into a job of whatever sort, a nine-to-five thing that pays the rent and the cell phone bills. But it is not their career or their dream. It's just something they do. Thinking of it this way, even a terrible job can be endured with a sense of humor.

Meanwhile, on nights and weekends, they work on their real goal. They are writing apps, working on digital services, thinking through new ideas, and cobbling together business models. They are acquiring new skills and

filling in the gaps in their education. And they are very careful about money too—all too aware of the dangers of debt from bad experiences in college.

Think of dumpy apartments with four or five people living off ramen noodles and cheap beer. This is where the mega-businesses of tomorrow are being hatched. These young people seem to live on two levels: their conventional lives, which they see as temporary holding points, and their revolutionary lives, which they see as their real passion and their actual path to the future.

When I was in college, I can't remember anyone doing this. We trusted that the system would take care of us, and our job was to fit in. These young people do not have this view. The existing system is something they will use, but only on the path to bypassing it with new innovations and businesses to change the future.

To be sure, this is a group that is very commercially astute. They see business as the way to change the world. The tools they use every day to navigate the world—buying everything from coffee to concert tickets, getting around cities, planning trips, talking to friends and family—came to them via the private sector. Government contributes nothing to their lives apart from annoyance.

What's more, among these libertarians, there is very little hope that political change is a viable option. What would be the mechanism of change? The two-party system? The trends in politics are inexorably worse, regardless of the promise. The trends in commercial life are toward progress every day. Which seems like the better path?

Having been around this world some time, I see within Students for Liberty the emergence of a new form of libertarianism—something more intellectually and strategically sophisticated than forms from the last century.

First, among these young people there is a vast openness to radical ideas that rethink the relationship that politics has to the world. Rejecting the old-style collectivism of the prevailing regime is only the beginning. What about anarchism? If the state is useless and decaying, anarchism becomes the operational intellectual tableau through which to understand the world. This is a contrast to previous generations who romanticized about some mythical past of freedom as guarded by a constitutional state.

As the hope that the state can ever purify itself has faded, a new hope in freedom has emerged. In the same way, edgier thoughts about production without intellectual property, Internet-based monies and cities, and new patterns of global social engagement are on the table. These visions are not dark, but hopeful: at once bourgeois and breaking bad, principled but broad, literate but also intuitive.

Second, there is a new pattern to learning among this generation. Whereas libertarians of the past learned from classic texts, large books of integrated but contained theory, these young people extract information from an hourly blizzard of news, memes, videos, social-media threads, texts, forums, tweets, and group hangouts. There is no such thing as a protected sector of ideas, much less an information cartel. This setup produces broader and more agile minds with a less defensive posture.

For this reason, the ideological leanings borrow rhetoric and language from many sources. The most popular T-shirt among the Students for Liberty reads: “Peace, Love, Liberty.” My own shirt that came with the conference is a blizzard of short words: Tolerance, Compassion, Entrepreneurship, Love, Reason, Trade, Wealth, Freedom, Creativity.

So you can see what’s happening here. It’s finally dawning on libertarians that they have no model to impose on the world, no preset formula to improve society, and, therefore, no strict dogmas on how things should or should not work in a world of freedom. The point is to free themselves and the whole of society from the shackles of statism and regimentation to allow for experimentation, evolution, and trial and error—an agenda that stems from the conviction that only a free people can discover the right path forward for themselves.

Third, liberty for these young people is not just a political ideal, something that pertains to the state and civic affairs but otherwise has no personal application. As with the old classical liberals, these young people are dedicated to discovering the relationship between the political ideal and their personal lives. They want to find ways actually to implement an ethic of liberty and live with character and an entrepreneurial drive. So, for example, if you can use a free-market cab service over a government one, you should. If you don’t believe in “intellectual property” you should publish without it. If you believe that cooperation with others is the essence of social flourishing, you should seek to be a cooperative person. If entrepreneurship is the primary force behind economic progress, you should seek to make a contribution to that end.

Fourth, there are some non-negotiables, and they aren’t only about the ban on the use of power. As an extension of the above point, this generation puts a premium on civilized thinking and behaving that includes absolute exclusion of bigotry in all its forms. Racist, sexist, and antigay attitudes are not only tacky, but embody the opposite of the tolerance that old liberalism (e.g., Ludwig von Mises) identified as a main bulwark against state oppression. This necessarily means a special identity with groups that have been victims of state oppression and remain so in many parts of the world.

So, for example, it is true that in our time many feminists look to the state for privilege, but it is also true that many racial minorities (and people of all races and classes) look to the state. But the fundamental history and drive of feminism and the antislavery movement, historically understood, are about empowering every member of the human family with the freedom that is his or her right.

If we love capitalism, we must remember that it alone has done more to bring about that empowerment than any political change. For this reason, we should embrace the ideals of feminism in the same way we embrace the antislavery cause. It is our cause, our banner, our history, our movement. We should never give this up to the oppressor class.

Fifth, there is a generation of liberty-minded thinkers who are filled with hope about the future, and rightly so. The digital world has opened up new frontiers for them to make a difference in their own lives and the world at large. The space in which this is allowed to happen is limitless, and so are the possibilities. Despite all the despotisms in the world today, the digital cloud makes possible a new path of progress in which individual and community expression can take new forms outside the reach of power.

Consider that Students for Liberty itself wouldn't be nearly as successful without all the organizing tools of social media.

All of this crystallized for me this weekend. It is a gigantic departure from the darkness of the past and a new paradigm for the future. It reflects a confidence that liberty is right and effective, not only as a political philosophy, but also as a personal principle that helps us achieve new heights of personal accomplishment and well-being.

Thank you, Students for Liberty, and also Foundation for Economic Education, for existing and providing the platform and inspiration for the building of a new and better world.

99 How Medical Innovation Redefines Our World

On a Sunday afternoon swim, a six-year-old boy was bugging me in a sweet sort of way. He rode up and down the handrail on the stairs in the shallow end of the pool where I was trying to sit in peace. He was laughing and talking, but I couldn't understand a word through the giggles.

I spoke to him to try to engage him in conversation.

His mother was sitting on the side of pool and said to me, "He can't hear a word you are saying."

I thought by that she meant that when he is having fun, he is not interested in adult conversation. So I laughed and tried again. She clarified what she meant: He is completely deaf. Literally, he can't hear anything.

I felt embarrassed.

But then she added something that amazed and surprised me. She said that when he is not swimming, he wears equipment that allows him to hear completely normally. He just has to take off the equipment for the water.

I asked for details, simply because, for whatever reason, I hadn't really known about this technology. As she explained, the boy's disability became apparent in the first few weeks of his life. In any other era, he would never have heard a sound. Fortunately, starting in the year 2000, implants became available for children. The ear implants that give him hearing came after about six months. Since then, he has heard nearly as well as everyone else.

My jaw just dropped open. Here is a miracle of our time, a brilliant example of how technological progress isn't really about machines and efficiency, but about the quality and vibrancy of human life itself.

Deafness has been part of human life as far back as we can look in recorded history. It is mentioned by Aristotle, and Socrates was said to have addressed the issue. It is mentioned in Hebrew law and by the fathers of the Christian religion. It figured into folklore throughout the Middle Ages. Most of what was written and said treated deafness as a curse.

With growing enlightenment as to the nature of disability, we began to see real therapeutic efforts toward helping the deaf. In the nineteenth century, universities were founded. Languages were codified. Activists worked to have

society treat deafness not as a wicked malady, but as a condition that comes with special gifts. A more humanitarian approach replaced age-old bias and even demonization.

Then, suddenly, everything changed. In our own time, vast numbers of deaf people have been given hearing, even from infancy. Technology changed everything. “Cochlear implants” became accessible to vast numbers of people. These small machines are put deep inside the ear to fix what is really just a small physical problem, and they are operated by sophisticated equipment that is barely visible.

It is today entirely possible that a deaf person will never know the fate of millions and millions of people throughout history, that of never hearing a song or the spoken world. The world has been opened up to them through the efforts of scientists and commercial providers over the course of some fifty years. As usual, when the solution arrives, people tend to forget the problem ever existed. That is where we are headed with deafness today.

As alert as I am to the surprises brought to us by market-based experimentation and innovation, learning of this genuinely surprised me. I suppose I had thought deafness was a permanent accident that humanity would always deal with. Before the late nineteenth century, people probably thought the same about infant mortality and hundreds of diseases that have since been cured. In the Middle Ages, it must have been this way with tooth pain, the pain of childbirth, and the inability to communicate with anyone outside your immediate vicinity.

All human problems seem intractable and perpetual when they are ever-present. But there are always a few among us who do not see problems this way. They see problems as rooted in the lack of some technological solution. And they get to work on a fix. Given time, given resources, given an open market in which to sell their fixes, they change history.

Work on fixing the problem of deafness through cochlear implants began in the 1950s, but no technology works out of the box. It takes learning and trying among many people who attempt marginal improvements, one bit at a time. Work picked up in the 1970s as the prospect of commercial viability of implants inspired more manufacturers to work with doctors and scientists.

As always, it took longer than it should have, but implants for adults were finally approved by the FDA in 1984. It wasn’t until just thirteen years ago, however, that the government approved them for use in children as young as six months old. Another factor that slowed down development, as always, was the patent, which essentially assigned a monopoly of knowledge to certain individual firms. Even now, the market is hobbled and the devices overly

expensive because of them. In other words, without government intervention, we would have seen more progress sooner.

Even so, I was fascinated to see a real-life example of how science and commerce radically changes life itself. How many people would have even imagined such a thing a hundred years ago? Very few. Here is a beautiful example of how allowing entrepreneurs to be free of restrictions gives rise to genius solutions to problems almost everyone else thinks are permanent.

And there is still a long way to go. Already, this nice family that I met is looking into getting the next edition of the implants the child is using, because the new version is actually waterproof. He will be able to swim and hear at the same time. There are still other factors that need improvement: battery life, cosmetic appearance, the stability of the machinery itself, etc. And everyone looks forward to the day when the entire apparatus can be implanted with no external operation at all. These times are not far off.

Oh, and by the way, the implants are all manufactured by those kinds of capitalistic institutions everyone loves to hate. There is Cochlear Limited in Australia, Advanced Bionics (in the United States, but a division of a Swiss company), and Med-El in Austria.

All are for-profit enterprises.

As we think about such things—seeming miracles accomplished through science and market entrepreneurship—what can we say about today's anti-technology and socialist attitudes among the educated elite? The greens are habituated to be against all industrial progress. The neo-Luddites put down every advance. The socialists tell us that all solutions come from the public sector. Books and articles appear daily that tell us about the evils of technology and how it is ruining human community.

Meanwhile, people sneer at smartphones, gaming, and social media, and speak with trepidation about how Google Glass is going to turn us into cyborgs. The romantics long for a return to the simple life.

But do these people consider the lives of people such as this boy I met? Here is the truth: The return to the simple life means that deafness will not be cured. The simple life means pain, suffering, hunger, disease, malnutrition, early death, and the horror of struggling every day just to live another day. Every bit of the progress humanity has made over the state of nature is due to the unleashing of human creativity in the framework of an open society and an open market. This is the way to unleash the genius of innovative human service.

This is the path of progress. The path of regress is the opposite: command, regulate, control, coerce, and rule by those who imagine that they

know what we need and construct a political order to impose it on us. Under such forms of political management, answers to intractable problems do not emerge through the regulatory thicket.

In the end, this is what is most scary about healthcare solutions like Obamacare. It is not so much how such political solutions misallocate existing resources. The real problem is how such systems lock down and control human creativity and end up preventing us from discovering what we currently do not know. They stop the emergence of seeming miracles such as tools to allow the blind to see, the deaf to hear, and the lame to walk again.

Might we someday truly find a cure for the remaining horrors in our world, such as cancer? It can happen, provided we have systems that are open to experimentation, commercial creativity, and trial and error. I met the living proof of this, a happy boy who will never know a world in which there was no solution for his disability.

100 The Joys of Living

“What are you complaining about all the time?” people sometimes ask me. “I’m just about as free as I want to be.”

Here’s the problem. How can we really know what we want if we’ve never had it before? The less free we are, the less we know what freedom feels like and how it shapes who we are. The more dependent on government we become, the less we crave independence. This is why it is important to find literature that takes us out of our present moment and introduces us to different ways of thinking.

We have to imagine a different ideal.

This is why I’m nuts for a book that came out right at the end of the Gilded Age, and just before we got the permanent income tax and the Fed, as well as World War I. It is the last look at the mindset of what I could call the real “greatest generation.”

The author of *The Joys of Living* is Orison Swett Marden (1850–1924). I first bumped into his writing when researching the entrepreneurs of the Gilded Age. He turns out to be the great psychologist and sociologist of this generation that built the modern age in America. He was a physician, a hotel owner, and a fantastic thinker and writer. He was the editor of *Success* magazine, a hugely influential publication during the age when Americans adored their inventors and entrepreneurs—and deeply loved the richest of the rich among them.

Yes, it was a completely different time! The rich did not hide. People didn’t want them to. They walked the streets proudly, and people sought to emulate them. They built huge homes in the middle of town. They gave vast sums to charities, churches, and libraries and were pleased to have their names attached. They wore clothing that suited their station in life. The wealthy capitalist class was the new aristocracy, and with that status came social obligation, an elaborate code of manners and mores, and a great deal of public adulation.

What a world!

It's a world and a time I admire because it was built by the unleashing of the capitalist spirit in the second half of the nineteenth century. Lives lengthened. Infant mortality fell dramatically. The rich of yesterday became the middle class of today, even as tomorrow would mint the newly rich, and the process continued without end, each advance touching everyone throughout society. There were new products, new services, and new forms of communication and transportation, and each seemed to point to a future of peace and prosperity. Such inventions were celebrated in great public spectacles called world's fairs.

Orison Swett Marden was the public intellectual who made sense of it all. He was a serious journalist, a great thinker, and a wonderful writer. His outlook embodies the ebullient optimism of the Gilded Age. He studied the phenomenon of progress and tried to discern its causes. He located them in the hearts and minds of the men and women who made the difference. He devoted his life to chronicling their lives and the lives of those they touched with their creativity and generosity.

The point was not to celebrate privilege, but rather to see the possibilities available to every person. Marden himself was like many of the first-generation rich of this period. He came from poverty. He faced family hardship. He worked his way out of difficulty to find promise and reward. He saw how the sacrifices made in youth turn to a bounty in middle age. There was cause and effect that operated in the universe: Hard work, dedication, determination, and dreams could remake one's world and the whole world.

The greatest discovery of the time was not a technology, but a philosophy. It was the philosophy that the individual human mind was the most productive resource on the planet, more powerful than all the natural resources or manmade machinery. It was the human mind that was the real source of progress and prosperity. Previous generations believed they were trapped by fate, by class, by social position, or by forces more powerful than they. This generation saw the truth that nothing could contain an idea whose time had come, so long as there were great men and women around who believed in it and acted upon it.

This is why so many greats of his time cited Marden as their inspiration: Henry Ford, Thomas Edison, Harvey Firestone, and J. P. Morgan

I read several of his books before I encountered *The Joys of Living*. I was hardly through the first chapter when I realized that I had found his great work. This was the philosophy he had picked up from so closely watching the nature and function of entrepreneurial success. As he saw, the key to life is to find happiness in the mystery and magic all around you, and to find

ways to work within the structures you have been given to improve and generate that progress you dream of. His recipe is made of three parts: seeing, emulating, and acting.

To his mind, there are no circumstances that we face that would make doing this impossible. The source of joy is around us, but we have to seek it, see it, embrace it, and expand upon it.

This little book beautifully encapsulates the capitalist spirit of his time and all time. I've never seen another book like it. It is unapologetically designed to inspire, and it does this as few books I've ever read. It really amounts to spelling out a life philosophy, one that is deeply practical and actionable in every way, every day. Indeed, this might be the most inspiring book you have ever read—not because it solves all mysteries concerning who we are, how we got here, and what we should seek as the very purpose of life.

He stays away from these larger questions, because it's the smaller questions that are more interesting and effective. What he deals with more directly concerns what we might call a more mundane aspect of philosophy: how we should approach each day in order to get the most out of life. As such, this is a philosophy of how to live an excellent life, no matter what our calling is. Capitalist, monk, mother, teacher, worker, banker, mechanic, musician, preacher, writer—whatever we do can be done with a sense of joy, a spirit of awe, and an ambition to drive forward the engines of progress.

This is the one-hundredth anniversary of this forgotten classic. In some ways, this book is a relic in the best sense of that term. I don't even believe it could be written today. We lack the social template that could produce such a work. The spirit is not in the air that could allow us to extract such thoughts. People today are too vexed, too burdened, too distracted by costs and impositions to see these things. But Marden did see them. And just because we are too often blinded to the reality that he illuminates in these pages doesn't mean that this is not our reality too.

Note that nowhere does he talk of storming Washington, agitating for our rulers to overthrow themselves or sending institutions into upheaval, much less agitating for societal transformation and uplift. He speaks only to the individual. He tells you what you can do in your time, right where you are, to bring happiness to your life. Social and political change is an effect—it comes only after we change ourselves.

It's the perfect time to draw attention to this work one hundred years after its publication. It's amazing to me that it had ever been lost. I'm sure that it will make a difference in your life. You might use its wisdom to make a difference in the world around you. Indeed, this is an example of

the kind of book that could completely change the world. Why? Because Marden understands freedom and the individual mind, and their power, once combined, to make a gigantic difference now and in the future.

My whole experience suggests that personal inspiration is the ingredient lacking in the current generation of people who have come to love liberty. They have access to texts, knowledge, and theory as never before in human history. What they lack is a method for using what they know and the personal drive to do so. People are too quick to blame outside forces for failure without realizing that outside forces conspiring against progress are part of the structure of all environments in all times and places. This book provides that missing element, that key to brush away despair and unlock the inner drive to make a difference.

Prepare to use your highlighter tool. It will be used as never before. Then join me in finding the joys of life and working to make life more joyful for others.

“The golden opportunity you are seeking is in yourself. It is not in your environment; it is not in luck or chance, or the help of others; it is in yourself alone.”

101 Cryptography and the Money We Use

When NSA whistleblower Edward Snowden wanted to talk to reporter Glenn Greenwald, he insisted that they use encrypted chat. Unfortunately, Greenwald didn't know how to go about setting that up. In fact, he needed a tutorial in how to do it. Indeed, many people do. I was looking at the download figures of various encryption programs, and they are not impressive (about fifty-two thousand for one popular program). Apparently, this approach to securing conversations is far from mainstream.

Why should anyone bother? Encrypted chat is like the “dome of silence” in the old *Get Smart* series, except that it actually works. It makes conversations impossible for outsiders to listen to. So far as snoops are concerned, the conversation might as well have not happened.

How can we be sure? The best case is precisely that Snowden trusted it. He knew exactly what the NSA could surveil and what was invisible. He knew that this level of encryption was NSA-proof. Otherwise, he would not have taken the risk.

Why would anyone but a whistleblower need it? Let's say you want to talk about a business deal with a remote party and it is extremely important that there be no security breaches. You would be crazy to use email, but even chat is a mistake. One party has a full record of it even aside from all issues of surveillance.

You don't have to be breaking the law to use this technology. It might be useful for talking about health records or household finances or some issue that might be embarrassing to have on record or dragged up and put in your face later. There is a good reason for privacy. Encryption makes it possible.

The most common encryption standard today, Pretty Good Privacy (PGP), was created by Phil Zimmermann in 1991. As an antinuclear peace activist, he wanted to make it possible for people to communicate with each other even in totalitarian countries that prohibited speech. To his amazement, it was the US government that tried to stop the code from being released. In 1993, he was prosecuted for illegal export of munitions (go figure).

A huge protest ensued. The code swirled around the Internet like a crazy global storm—a clear sign that the Internet cannot be stopped from distributing information. Even more strikingly, MIT Press published the entire code in a book (that actually sold rather well) that was protected under the First Amendment. In time, the government backed down. It was a great victory for technological progress and the freedom of speech.

In other words, if the government had had its way, we might not have this type of encryption at all. But we do have it, thanks to a series of simultaneous discoveries of the logic of public-key cryptography in the 1970s. (From Wikipedia, I'm amazed to learn that William Stanley Jevons, economist of the late nineteenth-century marginal revolution in economics, actually anticipated the logic of public-key cryptography.)

PGP is not the only one. There is OTR (Off-the-Record) Messaging as well. Both go far beyond the encryption used in most Web commerce (SSL), which only masks the communications between your computer and a company's servers, but such companies still maintain the data.

The technology has been around for a long time. But users have mostly not bothered. That could change in light of all the news about government snooping. For some communications in the future, people might be willing to give up some convenience of commercial programs for the security of encrypted communications.

By the way, here is an obvious and quick answer to the NSA's claim that it must harvest as much data as possible as a way to stop terrorism and protect the American way of life from dangerous criminals. If you are a dangerous criminal or terrorist plotting an attack and you are not entirely stupid, it is very likely that you would choose cryptographic communications over commercial services.

Hence, the very communications that the NSA supposedly seeks are the ones that it cannot get. What, then, is the point behind the huge data centers and the invasions on everyone else's liberty? The purpose is to control the rest of us and shore up its power. You don't have to be a conspiracy theorist to accept that truth. You need only have your eyes open.

If government criminalizes private communications, only government and criminals will have private communications.

A friend wrote me the other day and said, "I just had a startling revelation. Public-key cryptography is the only thing standing between us and a totalitarian state." That is sobering, indeed.

This is why it is so important for any freedom lover to pay special attention to the uses of cryptography. It most certainly should be at the

heart of any monetary system of a free people in a digital age. A digital money should be more like trading gold or physical dollars. We don't need to cough up our identities when we spend physical stuff like gold or silver. The money itself should be separate from our person and all the data about our lives.

This is how Bitcoin uses cryptography. It makes money behave more like a physical thing. There are no chargebacks, promises to pay, layers and layers of trust, waiting periods for banks and regulators to verify, and so on. Nor is there any prospect of identity theft. This is a serious matter: There are some seventeen million cases of identity theft associated with the uses of digital dollars each year. Bitcoin eliminates all of that by putting a cryptographic wall between us as persons and the money we use.

It's for this reason that Bitcoin is getting more popular in unusual sectors of the population. I bumped into a charming video a few days ago. It was of a family farm. The kids were giving a tour of their goats, their pigs ... and their gigantic Bitcoin mining operation.

It turns out that Bitcoin has become very popular in these settings. One person wrote me to explain why:

My wife and I have been Bitcoin farmers for a while, although we don't mine. Our little agorist homestead accepts Bitcoin for our beautiful purebred French Marans and Ameraucana chickens and their fancy chocolate and blue eggs. We stick with a small flock of just the two most valuable breeds on the market, raised free range on just over an acre. We ship fertile eggs all over the country to supply the growing backyard chicken revolution. You might be surprised to know that mailing eggs is a gray-market activity. In Texas, it costs a minimum of \$100 a year to get a permit to mail live chicks, and regulations on the import of eggs vary wildly from state to state. Carefully packaged eggs containing live embryos can be shipped undetected and hatched in an incubator in three weeks. Egg regs are so restrictive in Virginia that most breeders won't ship there. Bitcoin is a perfect medium to conduct commerce, considering the increasing prohibition of benign things."

In our heavily patrolled, regulated, browbeaten, and regimented system of commerce, the need to separate identity from the property of money itself has become a practical necessity. Without this ability, you risk everything and you don't have the capacity to live out your dream. This is how cryptography has made it possible for commerce to continue even amid the police state. For many people, then, Bitcoin is not just about privacy. It is a lifeline to financial survival.

102 Real Markets and Real Economics

I just spoke to a friend, Skinner Layne, who is from Arkansas, but now lives in Santiago, Chile. He emigrated there and is now heading a startup enterprise that is showing great promise. It is called Exosphere. I asked him about the backstory to the company. It turns out that he moved in 2008, six months before the US real estate markets blew up. He left to escape the worst of it.

How did he know that the downturn was coming? His answer came quickly: “The yield curve inverted.”

Fascinating.

I was just reading about this very indicator in Mark Skousen’s new book, *A Viennese Waltz Down Wall Street*. Here, Skousen, investor and economist, explains how the teachings of the Austrian school provide some excellent rules of thumb that allow us to anticipate, and act on, the big turns in the business cycle.

In the Austrian view tracing back a century ago, interest rates indicate the preference for goods sooner, rather than later. If you don’t have the money to get the stuff, you borrow for some period of time. Borrowers pay a higher rate if their payback term is longer. That’s because the risk is higher—who knows what’s going to happen in thirty years?—and lenders expect a higher payoff to wait longer for their money. So naturally, the yield curve should show lower overnight rates than five-year, ten-year, or thirty-year rates. That’s why the normal yield curve is positive—that is, upward sloping to the right.

What does it mean for the yield curve to be negative? It’s a bit like water running uphill. You can be pretty sure that there is some seismic shift going on. Usually, it means a Fed tightening. Or it could mean that investors are expecting bankruptcies in the future. It is highly predictive of a coming recession.

When it happens, you can also be sure that hordes of television pundits and economists will emerge to say that there is nothing unusual here. It is a perfectly normal thing, and it’s even healthy—certainly nothing to be alarmed about.

My friend Skinner knew better. How? He had been reading the work of F. A. Hayek and Ludwig von Mises for years. He knew that there are certain constants in economic forces that do not change, no matter what government does. In fact, government and central bank attempts to manipulate the market can have exactly the opposite effect of the advertised results.

TV pundits are quick to agree with everything the Fed does. To spot the policy errors requires special knowledge that comes from reading sound economics.

That doesn't mean that once you learn economics, you can predict the exact timing of events. In fact, this is also one of the observations of the Austrian school: there are no predictable quantitative relationships in the world of human action. This too differs from the mainstream view, which is forever seeking the magic formula to predict price movements.

I like the way Skousen describes financial markets. He says that prices in markets are like a dance. There are patterns and habits at work. But there are also surprises and improvisations going on. That's part of the spirit of dance too. But the crucial thing here is that it takes two people to coordinate their moves in a dance, just as in markets, it takes buyers and sellers to make a price. Financial markets bring people together to their mutual benefit.

Nice image, isn't it? It's one that he elaborates on at length. In the course of his argument, he criticizes other points of view that don't account for human decision making and don't account for the parameters of those decisions as set by economic reality. For example, just as dancers can't start flying, markets can't sustain parabolic price increases in one sector forever, even with Fed intervention.

Why did Skinner choose Chile as his home? Well, he knew it to be the most pro-enterprise country in Latin America, at least so far as he could tell. His reading in the Austrian tradition helped him see why this is important.

And he likes Latin America because it is in the new world and doesn't have economies bogged down by bad habits and massive welfare and regulatory bureaucracies. There is far less sludge in the system to harm economic growth. For this reason, he is very bullish on the whole region—and bearish on the United States and Europe.

This too reminds me of something else explored in the Skousen book. He discusses how institutions affect economic growth and can help people make better predictions about coming economic booms. A regime that is friendly to free enterprise might lower taxes or cut regulations. Even a little bit helps. Economies are like sponges for this stuff. Just a bit of encouragement—or, more precisely, just a bit of relaxation of the fetters—can spark huge economic booms.

This is why Skousen strongly suggests following the politics of a country to understand its economic future. He goes so far as to slightly scold fellow Austrians for holding a permanent bearish view on economies. He says that this point of view causes investors to miss economic booms such as, say, those in the 1980s and 2000s. And he is right to this extent: if your goal is to play the markets, it makes sense to be able to discern their upside, as well as their downside.

Monetary policy figures in here substantially. As Skousen says, an economy without a huge debt overhang that is emerging from rough economic times can find itself on an upswing if the Fed is pumping money at a rapid pace. Under this rule, you might have bought stocks in 2009. The problem is that this approach to economic policy cannot last. It creates new problems that cry out for correction. The tricky thing is to be able to spot the turning points.

What does Austrian economics imply about today's precarious situation? Well, the Fed is making loud noises about pulling back its stimulus program. If the drug of new money is cut off, we could see short-term rates rise and blow up the balance sheets of many businesses, not to mention governments.

The beauty of the Austrian school is, fundamentally, this: It sees economics as an extension of human choice. There is nothing mechanical and predictable about it. But there are certain patterns that emerge just from the logic of human action itself. Skousen's purpose here is to elucidate that logic and illustrate it with examples from the business pages. The results are interesting: You can gain insight into both worlds. In this book, the rubber of finance truly does meet the road of economics.

I'm intrigued at the confidence with which my friend Skinner took the step to move. Five years later, he has a thriving business and a happy life. He only did it once he had intellectually seceded from mainstream thinking. But just as important, he did it with the aid of solid economic thinking.

103 A Meeting at Thirty Thousand Feet

I'm looking out the airplane window, marveling that the clouds are below me. My computer is out and I'm surfing online. As usual, I inhale a big intake of air, still dazzled that this is possible.

A notification pops up that there is a meeting taking place in Austin, Texas, a digital Meetup sponsored by the Mises Circle as run by a student named Michael Goldstein. I'm invited to join.

Surely, their bandwidth won't support my joining. But I figure I will try it anyway. Suddenly, I find myself on camera along with many others, and looking not only at others who have entered the digital space, but also at a group of students in a room where the meeting itself is taking place.

So I do a double take, glancing at my screen and out the window again, and I almost have to pinch myself. I'm flying above the clouds, yet I'm also on the ground in Texas. In technological parlance, the whole thing is made possible by "cloud computing," but it is also literally true.

When exactly did this kind of thing become possible? There was no headline in the *New York Times*. There was no grand announcement. I'm not even sure myself when this became possible. Google Hangouts are about eighteen months in existence, but the technology keeps improving bit by bit. It seems almost like it all happened in the blink of an eye.

Remember how people warned us about how digits would destroy personal contact? How we would all get sucked into the Web vortex of fake friendship and digital relationships and lose the ability to engage each other face to face?

As far as I can tell, experience is showing the opposite. The digital world is making possible new forms of robust physical networks too, people meeting face to face in social settings that did not and could not have existed even five years ago. And these physical meetings are integrating with digital ones.

And maybe that's the great benefit of the digital turn. Digits link real-life human beings in ways that had never been possible in previous ages.

This allows the formation of human communities to serve a crucial social and political function: They serve as a buffer between the individual and the state. Such networks are essential for the building of human liberty.

Today, there are thousands of gatherings of people from all walks of life that would not otherwise exist. There is a simple reason. Now we can form them and get the word out, and others can find out about them. These enthusiast groups cover crafts, running, surfing, painting, music, technology, philosophy, religion, investment, and every other conceivable thing.

For example, I just returned from an exciting speaking tour of sorts in Southeast Texas. Gatherings of this sort—huge cross sections of people from many walks of life—would have been so much more difficult in the predigital era. Why? Well, in the past, the organizers might not have known there was a demand, they might not have had the resources to promote, and people wouldn't have thereby known they should even attend at all.

But with the digital world of Web communities and social media, it all came together quite beautifully. There was a traditional meet and greet in a restaurant one night with a standing-room-only crowd where your editor gave a talk on new strategies for reclaiming our right to be free. This was sponsored by Liberty on the Rocks, an expanding network of meetings all over the country for libertarians.

At the main event, held at Stephen F. Austin State University, in Nacogdoches, Texas, Young Americans for Liberty and the Charles Koch Foundation sponsored a conference on libertarian ideas, as well an event with a more formal and academic approach (but still fun!).

Stefan Molyneux gave a paper on how politics compromises ethics. Jessica Hughes eviscerated the idea that the Constitution is a source of freedom and human rights. Stephan Kinsella presented an illuminating case against John Locke's idea that we own the products of our labor. Your editor presented a tutorial for living outside the state.

The place was packed, with people coming from long distances to be there. We even had one digital speaker. Walter Block appeared on Skype on the big screen and answered a number of audience questions on banking, labor, the environment, and other matters.

It was a fun, educational, and exciting experience. We all take this for granted, but again, trying to put this kind of meeting together twenty years ago would have been nearly impossible. Today, it is commonplace. In fact, even this very evening, I'm speaking at a student gathering that was easily formed and promoted through Facebook and Twitter, whereas it would have required plastering posters all over campus in the past.

I first began to sense this some years ago when a friend of mine moved to Shanghai. Had this happened twenty years ago, this young American would have been lost and isolated for years, maybe forever. But he and his wife notified their network in advance and arrived with a social structure already in place. They moved into a foreign country with an unfamiliar culture where the language is forbidding and still felt right at home.

This type of thing is happening all over the world and probably in your hometown. It began a few years ago with the institution of the Meetup. But over time, many different venues have served the same purpose. Facebook and Google started allowing events to be created, shared, and promoted. And the lines between digital and physical are blurring so that Google Hangouts and Skype meetings of groups commonly extend and entrench the relationships formed in physical spaces.

As a result, all kinds of intellectual societies are becoming ever smarter and more sophisticated. This is particularly true in libertarian circles. Students today are able to read and borrow from thinkers from all ages. Barriers between factions have broken down. The learning never stops, extending from digits to real life and back again. This has put new pressure on me as a speaker, but in a good way: if I ever repeat myself, someone will take note!

Technology has heightened the value of the event, and the event has heightened the value of the technology. They work together. The result is the formation of a new community of people who find new forms of strength, intellectual confidence, and human camaraderie in discovering that we are not alone, but are part of something much larger than ourselves. We are part of a generation radically rethinking the way the world works and the role of politics in society.

104 How Digits Are Reinventing the World Order

Most people today use technologies without a clue to the larger picture of what is really happening to the structure of the world because of them. People are staring at the trees and not noticing the gigantic, growing, and ever-expanding forest, much less considering the meaning of it all.

This is an attempt to provide a larger look, starting with one of the most beautiful images on the entire Web. It comes from Tweetping.net. This site lights up a tiny pixel for every public communication sent through Twitter.

What you see serves as a proxy for the growth of global communication networks far more complex and voluminous than most people imagine. The reach extends far beyond that of any regime in the world. By comparison, the control that government has over the planet, as egregious and ghastly as it is, is miniscule.

This puts into perspective the three million dollars that the Eurocrats are spending to skew upcoming elections in favor of centralized solutions and put down Euroskeptics. It cannot be done. Governments think they can control this, but they can't.

Twitter was born in 2006, but its present form was built by users themselves. The developers made the infrastructure and let it happen. It is not only about just telling your friends what you had for lunch. It serves its users—each of whom has exactly as much power as any other—as a portal to the entire digital universe.

Tweets can be petty (“bathroom on the second floor clogged: see this image”) to very serious (“army mobilized for killing in NE district: map”), from the tiniest network (a household) to the largest (a famous pop star or global corporation). Most importantly, they all overlap in ways that surpass human comprehension.

Communications are organized by users themselves. No two users have the same network, any more than any two people in real life have identical relationships with others. That's why the complexity is essentially unfathomable. What's more, it is scalable: It can grow and deepen and widen without a known limit. It has 500 million users (and growing) and sends

some 340 million tweets daily (and growing). It handles 1.6 billion search queries per day.

The lighted portions show engaged, online, sophisticated, and prospering populations. Almost all populated portions of the world are involved. A surprising world center comes from East Asia: Malaysia, Singapore, Indonesia, and Vietnam. But South America, Russia, the Middle East, and well-populated portions of Africa are all lit up. Again, this is just two hours of use.

What we see here is a new form of global order, one not organized by regimes, but by people. It is the closest existing picture of the capacity of people to organize their own lives in a setting that no regime has approved, much less implemented. It is undirected, undesigned, and far larger than the individual intentions of any single user or any institution. It is delightfully “out of control,” a picture of a beautiful anarchy.

Twitter Nation is only one piece of the overall digital puzzle, one sector of overlapping and cascading sources of communication and global exchange. If you can imagine the entire picture, what you see is precisely the world that states have worked for generations to prevent from emerging. They took over communications in the early part of the twentieth century as a way of maintaining their status as gatekeepers. The people would know only what states would want them to know, and no more. That’s the purpose of the censors, the controls, the official organs of opinion, the propaganda.

That’s all over. It’s a major defeat for the coercive model of social and economic organization.

Now consider another chart: the use of Bitcoin in transactions. Bitcoin is a digital currency created by someone whose identity remains unknown. It became public only in 2009. Today, it is the most widely used alternative currency. It works without central banks, governments, or even user identities.

At blockchain.info, you can watch a live record of new transactions, which occur about one per second around the world, depending on the time of day.

As with all technology, it is used at the margins of society before it becomes mainstream. Watch what the “weirdos” and “wackos” are saying and doing and you see the future.

In the last few years, it has gained notoriety for becoming the black-market currency of choice. But I knew something had changed when a good friend of mine who works for a very mainstream news source in New York tossed me an instant message: “I’m now a proud Bitcoin owner! These are so cool!!” This was about the time that WordPress started accepting them and reports began to abound about all the mainstream things you can buy with them.

Here again, we see the emergence of a new form of order that no one planned, no one fully anticipated, no one controls. It is built by the choices of individuals, one trade at a time. The self-interests of the traders coincide with the great good of humanity in building structures outside the regime.

This is only a small sampling. When you consider the sheer size and scale of the global economic order—all its trades, its financial networks, its capital markets, its institutions, its complexities—it now far surpasses anything that can be comprehended by those assigned to control them. It is, in fact, outside the control of states. It is beyond geography and being political.

This emergent reality contradicts everything that was assumed at the start of the twentieth century. States were supposed to plan. Societies were to be managed. The global order was to be organized by nation-states that would negotiate as if they were homogeneous units with interests and goals. The only planning, communication, and substantial action was to be regime planning, communication, and action.

A century later, this whole system is blown up. And the situation is even worse for all prevailing regimes. Fiscal policy as conceived by Keynesian theory is proven worse than useless. It has saddled the world with unpayable debt and trapped governments in an impossible situation of having made ridiculous promises that can't be kept.

Similarly, its monetary policies are ineffective and dangerous. Central banks of the world are devoting all their efforts to saving their client banks from market pressures, rather than conducting the “scientific” monetary policy envisioned by technocrats a century ago.

Textbook theory and real-world practice diverged in the extreme.

In fact, the technocrats of all stripes stand demoralized and largely out of ideas. Their communication systems are irrelevant. Their social-welfare systems are abused to the point of absurdity. Their schools function only thanks to the infusion of private resources and energy. Their transportation is strained because of lack of money. Their security systems are a laughingstock.

Their wars have been so ineffective that even the politicians who still wage them sense that they gain more propagandistic advantage from proclaiming their devotion to peace, rather than pretending that imperialism is doing anyone any good. Plus, armies are an expense that not even governments want to pay for as they once did.

The people are taxed out. The true nature of political systems—is so famously corrupt and ridiculed in endless streams of movies, shows, comedy routines, jokes, songs, memes, and novels. The reality is increasingly obvious: While many people

seek temporary gain from the system, most people are seeking permanent escape. We no longer believe.

What about political parties? They are the archetype of public-private partnerships. They exist to serve the regime primarily, but also to launder money from interest groups in the private sector to the political class and back again to those groups in the form of protection and favors. That's their whole purpose. People who take their stated purpose of somehow "representing the people" seriously misunderstand their *raison d'être*. Those who attempt to crash them and force them to achieve some imagined democratic ideal will always and forever be shut out and punished.

Experience is revealing all these things, season by season.

Think of the regime as a huge and glorious mansion with beautiful pillars. But inside those pillars and under that foundation are tiny termites that have eaten away at everything that keeps it standing. It still stands. It still looks pretty. But it is shaky and strained and weak.

A century ago, regimes jumped at the chance to run the world, but they overreached and now face certain failure.

Even as this takes place, a new order is being built by people every day. We are discovering in the twenty-first century that we the people have more in common than any people has in common with their own government.

The story of the next ten years will be thrilling to tell in retrospect. It will be a story about the failure of one way of living—one dominated by rulers and their plans—and the rebirth of another way of living entirely built by human volition. We are at only the beginning stages of this new era. More of the new edifice is being built by the day.

The Twitter and Bitcoin maps are keys to understanding where history is headed. In the big picture, the old regime is dying, and we all need to accustom ourselves to living without it.

That means reducing dependence on the physical structures that the regime controls (including its promises to care for you in old age), learning more about the dynamics of the spontaneous order of voluntary associations, and increasing attachments to authentic human associations rooted in liberty.

To get to the end result will not be without friction and difficulty, and the attempt to sustain the old model will create many victims along the way. But the end result will be a wonderful thing to behold.

105 How We Found Ourselves

It must have been about five years ago when I picked up my first GPS device to use in my car. I got the idea after seeing this in operation in a friend's car. It was a luxury item for the rich. After a few years, it was available to the rest of us.

At the time, some people thought of this as a fancy map and nothing more. For me, it was different. I suspected that this device would change my life, and I was right.

You see, I am one of those people who has a seriously deficient sense of direction. In other words, I feel lost most of the time. It's been this way since I was very young. My parents would take me camping. As soon as I walked out of eyesight of the tent, I was lost and they had to come find me.

As I grew older, this problem never improved. In school, I could never find classrooms or even the buildings. I had to follow people who I knew were in the same class. I would leave stores and turn the opposite way from how I walked in. As a driver, it took me years to get to know streets. I would wander for hours looking for my car in parking lots. I would come to new cities and have an overwhelming sense of spatial disorientation.

I adapted over the years with certain habits, which really amount to staying put. If I'm where I am supposed to be, I stay there until I have to be somewhere else, and then I depend on taxis or the kindness of strangers to help me find my way. I never wander far from where I'm supposed to be. I'm generally just happy to not be turning in circles, as in some film noir classic, and experiencing that strange sense that I'm a goner, as in *The Blair Witch Project*.

Then one day I held in my hand a small device that changed everything. Indeed, the change was so dramatic that it took me six months or so even to believe what had happened. I would never be lost again. I could actually leave my hotel and find it again. I could drive in cities where I had never been. I experienced what it must be like to be suddenly granted sight after a lifetime of blindness.

Even now, I'm still correcting my habits in light of the new realization that I cannot be lost. I can always find my way.

The other day I was digging around in my glove box and pulled out my old friend, my TomTom 500. I laughed. It seemed like an antique! Now my GPS navigator is on my smartphone as part of the core technology. It talks to me, has an active screen, tells me where I am whether driving or walking, and gives me alternative routes. And this navigation is built into many apps, so that I can find a restaurant, grocery store, or movie theater anywhere I happen to be, whether in my neighborhood or somewhere on the other side of the planet.

Not only that: stand-alone GPS units are still on the market, and they look better than ever. TomTom is still going strong, but it has competitors that offer more amazing features.

Do you remember the hysteria about how the iPhone changed its mapping solution? Outrage followed. A few weeks later, everyone decided, "Hmm, this is pretty good after all." Well, this new mapping solution had its origin in my own TomTom antique that is now seriously with the times.

It's astonishing if you think about it. No one born less than ten years ago will ever have to experience the sense of anxiety and fear that comes with spatial disorientation (unless, of course, he forgets his device). This fear had shaped my life and my pattern of living in ways that I had not entirely realized until it was fixed by technology made available through the private sector. No one in the future will have that same life handicap.

Another human problem is solved. It should be added to the list of problems solved: widespread malnutrition, common infant death, diseases like scurvy and polio, ignorance of essential facts of life, the inability to communicate with people outside your immediate community, the inability to travel without terrible danger, freezing in winter, and so on. There are millions of problems that vex humanity but people in the private commercial sector are mostly solving them one by one, whenever they are allowed to.

Now, those of you who know about GPS are immediately objecting: the core technology was a government innovation and it is still maintained by government. But look more closely. The idea behind GPS was an innovation of several scientists working for universities, not government. Government saw its usefulness for espionage and nationalized it, keeping it under extreme secrecy for decades and not letting any commercial companies develop it.

It was one of the few achievements of the Reagan administration that it finally loosened up in 1983 and gave GPS to the commons. No one cared at the time. The truth is that this event was huge and important. It was just the

beginning. Whereas Reagan's solution kept the best digital real estate for the military, Clinton went even further and unleashed the whole of the energy to the commercial sector. That's when the innovation and glory began.

In other words, GPS is like the Internet generally: that is, something that was of little or no benefit to humanity until the government permitted the private sector to go in, energize it, and make it wonderful. And it has changed life for millions, not only for spatial idiots like me but everyone. In the future, and probably in the present, it will seem utterly bizarre to anyone that people would not know where they are or how to get where they want to go.

For most of 2.6 million years, people had no idea where they were on the globe. The Bible tells us that the children of Israel wandered aimlessly in the desert for fully forty years. Then about five hundred years ago, we had some sense that there were distant oceans and land, and we developed better means to represent these features of the world in 2-D (which we call a map).

Mapmakers became more precise in the twentieth century. Now here we are, holding a device in our hands, something available to the masses that not only pinpoints our whereabouts with absolute certainty, but tells us where everything we want is as well.

In all my reading, I can't recall anyone drawing attention to this dramatic change in the social order and in our sense of the possible. We have found ourselves. We know where we are—after millions of years of struggle. It's all happened for each of us only in the last five years.

I recall no big announcement that said: humanity is hereby saved from being lost! No. Not even the official TomTom website includes a word about the history of the company or its technology. As is typical in the private sector, one finds a striking humility. Entrepreneurs rarely congratulate themselves on the past, but rather constantly look to the future.

Who or what granted unto us this astonishing knowledge of time and place? If you answer that question correctly, you have a sense of what will drive future progress. It was only once government relinquished its monopoly that the commercial marketplace was able to swing into action, make the dream real, and improve the lives of millions of human souls just like me.

Excuse me while I check in using my Foursquare app, which knows where I am and where I want to be. I need all the help I can get.

Oh how everyone (of a certain class and income) makes fun of the Twinkie, the ultimate symbol of modern food decadence and phoniness. I don't get it. Have the critics ever tried one? They are so appealing and delicious: light, spongy, sweet, and creamy, all in a tiny package.

The news that the parent company Hostess was going out of business caused a huge run on Twinkies in my own community. Every store had an empty space where they should have been. The preppers were right: we should have stocked up for emergencies like this.

Meanwhile, the haters have been generating lies about Twinkies ever since food puritanism took over elite culture. Therefore, the urban myths are legion. You know them all. It can stand up to a nuclear holocaust. It is made entirely of artificial ingredients, the ultimate Frankenfood. It is responsible for the obesity epidemic. And so on.

So don't you just know that plenty of cultural snobs and antimarket ideologues were experiencing serious *schadenfreude* at the news that the labor unions have strangled Hostess? They are probably thrilled to kick this snake out of the American Garden of Eden they are trying to create, and cast the whole line of products to the Mexican outer darkness.

It pains me. It really does. More than half a billion Twinkies are sold every year. They bring incredible joy to multitudes who don't happen to live next to an old-world French pastry shop. The market has been bringing this treat to the masses for seventy glorious years, and all that the cultural elite can do is sneer.

Let's take just a moment to give the Twinkie a bit of respect, as a symbol of the complex economic structures of our time that cannot be replicated by you, me, or any government in the world. It takes a giant market, an extended order of trade, and an unfathomably complex division of labor to make a Twinkie and deliver it to your palette.

No, it would never have existed in an economy planned by the government. Moving mountains and shipping ingredients all over the world just to please you and me? It would never be allowed. Plus, there is no way a government

planner could make it happen. The processes are too complex and carefully calibrated by the price system to be economically feasible.

Let's quickly kill a few myths. Contrary to the claim, it is made of 100 percent natural ingredients. Everything in it comes from the earth—as much a product of Mother Nature as a carrot or bean sprout—with the only difference that it goes through a more extensive production process through time and space. And the reason for the long process: to make a better product for you and me (which no one forces us to eat).

Twinkies have a remarkable and laudatory shelf life of twenty-five days, which is rather wonderful for something so puffy and moist. It stays fresh for a time long enough for you to consume it and enjoy it. Time was when hardtack was pretty much all that could last for long travels. Do the food puritans want us eating that rather than yummy sweets? (I don't want to hear the answer.)

It's a myth that it can survive a nuclear explosion but it seems to me that it would be a good thing if it could. Why should survivors of war-torn lands not have access to good food that contains essential proteins in eggs and a source of energy in its cane sugar?

And let's give a hand for the Hostess company's marketing too. Unlike Apple and Monsanto, the Twinkie benefits from no monopoly protection from government. Anyone can make an imitation and plenty do, such as Mrs. Freshley's Gold Creme Cakes and Little Debbie's Golden Cremes. Still, the Twinkie survives with a high name-brand status, or did until the unions killed it. This nicely demonstrates that "intellectual property" is not necessary for profitable production over a long period of time.

It turns out that there is an entire book that details what is in a Twinkie and how it is made. It is *Twinkie, Deconstructed*, by Steve Ettlinger (Hudson Street Press, 2007). He began the book to try to figure out what all the strange ingredients listed on the label actually are. There are thirty-nine of them, and he devotes a chapter to each one, discovering one by one that every ingredient serves the essential purpose of making the product better. If he began the project with the goal of exposing this Frankenfood, he came away from the long project with profound respect for the food item.

As Ettlinger tells the story, the Twinkie was the invention of Charles Dewar, vice president of Continental Bakeries, who figured out how to use idle shortbread pans for a different purpose besides make a strawberry treat, which he could not make in the off season (in the old days, there were such things as off seasons). The basic ingredients were the same as they are now (wheat, sugar, soybeans, and eggs).

The name he came up with from seeing a billboard for “Twinkle-Toe Shoes.” It was a great plan, and the cakes were hugely popular, except for one thing. The shelf life (the Holy Grail of food retailing) was only two days. The market for the cake was huge but the company couldn’t satisfy the demand. It took decades of research and experimentation but the problem was finally solved in the 1950s, and that’s when the ingredient list became longer.

For most of the Twinkie bakeries around the country, the wheat for the cake flour (which is highly specialized) comes from small, family farms (including Amish farms) that have only a few employees, thanks to technology. The enrichment blend of ferrous sulfate and B vitamins is added to white flour on government mandate, presumably to end the disease pellagra. If you don’t like the extra vitamins and iron, call your congressman.

Ettinger explodes other myths such as that Twinkies roll off an assembly line and go straight to the packet. Not so. They are baked and browned just like regular cakes, and that’s because, well, they are regular cakes. But do they need to be so sweet? The sweeteners work as preservatives, adding color, and causing the ingredients to blend better. Plus, we like sugar. But not too much, which is why corn syrup is also in there because it doesn’t crystallize.

(If US sugar tariffs didn’t drive up the price so high, the company might have been able to withstand union pressure more. Also, while I’m against corn subsidies as much as the next guy, every baker knows that corn syrup has its place. And anyone who blames it for the rise in obesity might take note that the average daily calorie intake of Americans has risen by six hundred since 1980, and corn syrup only accounts for 10 percent of that. A more obvious factor: people eat vastly more because they can afford to and it’s there to eat.)

The demonized preservative in the Twinkie is the miracle food compound called sorbic acid. How the ancients would have loved this stuff! Its sole job is to keep the mold away. Mold is the stuff that forms around moist areas such as your bathtub. If there isn’t anything in food that molds—think of pita chips—you don’t need it. But once you add leavenings, eggs, cream, and put a wet and spongy thing inside a plastic bag, you have got a serious mold issue. You know this if you have ever baked a cake and let it sit out for a few days.

Sorbic acid—it was discovered in berries in 1859 but today is made as a gentle petroleum product with less toxicity than salt—is the earth’s greatest enemy of mold. It is an amazing compound that makes grocery stores possible. If you see something like that in a bag that says “no preservatives,” run don’t walk. It could be deadly. As it is, the Twinkie only contains tiny trace amounts, just enough to make the product safe for you and me.

People today use the word preservative as if to insinuate that it is some poison that capitalistic corporations insert into our food to profit from poisoning us. Actually, people have struggled to preserve food since the beginning of time. The line between food that gives health and food that kills is a tiny turn of time, practically one minute to the next.

Modern preservatives were discovered at the dawn of modernity, at the height of the Renaissance when music and painting became truly beautiful, when the masses starting eating like kings, and when the common person first had a chance at social mobility. Preservatives meant that the average person had a greater chance at not dying from eating.

If you doubt it, put flour, milk, and egg in a bag and put it on the counter overnight. I wouldn't suggest eating it.

Don't tell me that Twinkies kill. They are made the way they are precisely so that the food will not kill—thereby solving a huge problem that has vexed us for millions of years. Preservatives preserve your life. As a result, anyone can have access to a legendary dessert treat without having to bake at home or live close by to a pastry shop.

The market works astonishingly hard for you to have a Twinkie. Its creation is the culmination of work that began in the ancient days and continues to now, and it combines technology, an unfathomably complex division of labor, trade among all nations from China to the Middle East to Oklahoma, and a level of capital sophistication that just blows the mind.

Put it down if you want to—that's your right—but don't take its existence for granted, much less celebrate when the coercive power of unions shut them down. The unions and sugar tariffs are doing to a great company what mold does to food. Sadly, we've got no ingredient to defend enterprise against parasitism. The United States is made that much worse off without the Twinkie. Our loss is Mexico's gain.

107 A Day in the Beast's Belly

The Thomas Jefferson Building of the Library of Congress is the least government-like building among all the tax-funded monstrosities in the nation's capital. It was completed in 1897, at the tail end of the greatest period of economic growth in the history of humanity in what was then the world's most prosperous country, just before civilization was taken down by World War I.

This building is the archetype of Gilded Age culture and confidence. A future of universal peace, prosperity, and learning seemed guaranteed. The captains of industry would replace the kings and dukes of old. The new world would feature a new kind of elite, not government, but business. They would serve society through enterprise. Their leadership in culture and the arts resulted from proven merit. War would be no more. Trade and business would rule the future. All of these themes are apparent in the decor and architecture.

Residents of the city hardly ever go in this building. Tourists, however, love it. I was there with my colleague Doug French to saunter around like a tourist and see it with fresh eyes. The last time I had been there, there was no available Internet. The world was entirely physical apart from localized databases. We lived and breathed paper and ink. We pretty much knew only what we could hold, and if we wanted to know more, we had to find it in the physical world. How did we manage?

We were killing time, waiting for the rest of the people in our party to return from other meetings so that we could meet with Ron Paul following his farewell address to Congress.

In so many ways, this building is a relic of a type of government that we almost can't imagine today. No expense was spared in construction. Classical themes are everywhere. The slogans on the walls try to capture ancient wisdom and are written with affected Latin lettering and feature characters from Greco-Roman mythology.

There is a beautiful innocence about the whole place. You can discern from this building alone why so many people once believed that government could be part of society, a guardian of the peace and prosperity of the nation.

Government in those days seemed to wish us all well, favoring our well-being and prosperity and otherwise leaving us alone. There was no income tax, no central bank, no regulatory agencies, no national police, no passports, and no bureaus. The president was a caretaker, not a demigod.

In a few minutes, we were to meet the last living representative of this point of view, Ron Paul of Texas. In his long career in Congress, he voted against everything, as well he should have. His ideal is pre-WWI. Government should be a night watchman, nothing more. Taxes need to go. The central bank needs to be unplugged. We should get rid of “foreign policy” as that phrase is used today and replace it with global trade managed by private enterprise. He never wavered in his conviction that this is the ideal.

Of course, the Washington, DC, of today has nothing to do with that ideal.

I was traveling with a fascinating crew. There was French, who loves watching commerce as much as I do. So we talk about the shops, the costs of business, the job of management, the challenges faced by inventory concerns, the tastes of shoppers, the challenges of regulation, and the business cycle. We could do this all day. And we do, when we are fortunate enough to travel together.

It is even true today that Washington, DC, would be dull and uneventful without its commercial sector. Union Station is a little shopping bazaar. Heading north, once you fight your way through the bureaucracies and come out on the other end, you find fabulous restaurants, bookstores (they still exist), tourist shops, and technology retail stores. I like to think of these capitalist enterprises as good examples of how to make the best of a bad situation.

Other people in our party: Addison Wiggin, the broadly educated and visionary founder of Agora Financial; Ralph Benko, the gold standard advocate who works with Lewis Lehrman and can tell a superengaging story of sound and unsound money starting and ending at any point in human history; John Papola and Lisa Versaci, the creative geniuses behind the Keynes-Hayek video series; and Dominic Frisby, the UK’s most interesting short filmmaker and comedian/writer.

They came walking up the sidewalk, and we all took over the Cannon House Office Building. We went into Dr. Paul’s office and heard his voice. But he wasn’t there. He was in the middle of his last speech before Congress, and his staff was watching on the television. There were packing boxes everywhere, because the office was in the process of being vacated. We sat and watched.

Dr. Paul had worked a long time on this speech. When he came to the key passage, he paused and said these words as distinctly as he could: "Our Constitution . . . has failed." It was a great moment because, of course, he was precisely right, but who else has said this so clearly? If the Constitution was to restrain government, it didn't work, obviously. Government won't restrain itself. It has to be restrained by people. Freedom must seek some other guarantee.

As the speech ended and Dr. Paul was making his way back to the office, I had the opportunity to catch up with Carol Paul and the goings-on with the family.

After a while, Dr. Paul came in, we made the introductions, and the interview began. I had told John before that it would be great if he could film this. He was aghast because he had no equipment with him at that moment. But we all corrected him and said no problem, you have the iPhone 5. He laughed and said he would do his best.

Out came the phone when the interview began, and he immediately swung into his filmmaker role, moving around and shooting like the expert that he is. The results are just fantastic.

Our plan had been to talk about money and banking in light of Laissez Faire's new edition of *The Case for Gold*. We stuck to the plan. So minutes after Ron Paul had given a speech with a Jeffersonian sweep, he was back to talking in great detail about the zero-interest-rate policy, the Bernanke regime, the prospects for complete denationalization, and more. He expressed every confidence that the regime would be replaced with sound money, with or without government's cooperation.

Following this, we spoke about several new projects that our team is working on and then headed to dinner with friends and some staffers to talk about the future of liberty.

It is common for people who love liberty to think about the past as embodied in the Jefferson Building of the Library of Congress. It represents a world in which government really did seem restrained, a benefactor to the people. But here is the truth: We can't go back. And we should not go back. As innocent as the classical ideals of the Gilded Age seem, they were the basis from which the imperial-parasite state we know today emerged.

As Dr. Paul said, that system really did fail. The future of liberty has to be about the future of people and their own choices. As Papola put it in his second Keynes-Hayek video, we really do face a choice between top-down and bottom-up social order. Freedom needs to be built by individuals acting outside the scope of government's control.

108 How to Protect against the Evil Eye

In large parts of the oldest civilized region of the world, you will find in nearly every room a pretty blue charm that looks like an eye. It's in the front entrance of homes, somewhere in every room, on boats, in airports, in restaurants, and built into the designs of everything from wallpaper to grocery bags. It's on jewelry, wind chimes, and serving plates.

It is common in the Aegean Sea region but encompasses all countries and religious traditions. Though it's never received endorsement from any clerical body—they consider it a silly superstition—it is found in the histories of Islam, Judaism, and Christianity. In Turkey, from where I just returned, it's called the *nazar boncugu*. That's Turkish, but in Arabic it is *ayn al-basud*. In Hebrew it is *ayn ha-ra*. In Greek, it is *το μάτι*, and in Spanish, it is *mal de ojo*.

Its purpose is to ward off the evil eye. What is that? Americans imagine that it is some ancient myth that has no relevance to modernity. Actually, the evil eye is right now destroying prosperity in the United States. The more it is doing this, the less we hear about it. Far from being some primitive idea, the evil eye is summed up in a wicked vice we don't hear about anymore: envy.

The evil eye looks for success and wishes for its destruction. It is different from jealousy in that sense. It doesn't desire the wealth or happiness of another. It wants the other to suffer because of the other's wealth, fame, success, or happiness. People since the ancient world have feared this impulse more than any other. It is more dangerous to persons and society than any natural disaster. It is a greater threat day to day than floods, hurricanes, or wild beasts.

In other words, the concept of the evil eye grows out of a very real conviction that the greatest threat to human flourishing is the malice of human beings who resent success. And that is actually a very keen insight! No wonder it's had such traction in all religions for so long.

Further, the charm here looks like an eye too, though its purpose is to fight the evil eye. The best way to fight the evil eye, in this tradition, is to look straight back at it. That's what the nazar does. It's an eye for an eye.

In political theory, this would mean secure property rights. It would mean a legal regime that prohibits the realization of envy. Even if you feel envy in your heart, you can't use institutional measures to see it enacted.

And yet envy—the evil eye—is the basis of vast amounts of American domestic policy. We tax rich people not because that helps the poor in a material sense but only because it is fun to make the rich suffer. We squeeze middle-class amenities not because it's good for the social order, but because many organized groups don't like to see the *hoi polloi* living well. We block opportunities for business not because that enhances productivity, but because it frustrates the cause of moneymaking.

This is envy at work. It shows up in progressive taxation, of course. And the capital gains tax. And the inheritance tax. Even the sales tax. But it also shows up in monetary policies designed to harm savers and please the debt-ridden classes (especially politicians). It is there in transfer programs that spread as much damage to everyone as possible. It is there in foreign policies that bomb civilized countries, turning them into zones of death and suffering and calling it victory.

A world without institutionalized envy is what we've come to call the free society. A world with it is what we've come to call statism. Therefore, we can see that the *nazar* is a libertarian symbol. It is the old world's version of the Gadsden flag. It says: don't tread on me. As a symbol, it is richer in moral content than the coiled snake, and more elegant from an artistic point of view.

Given this, who wouldn't want it hanging in every space where human beings are working toward a better life? It belongs in every home, workplace, or public space. It should be carried on our person and flashed at every sign of threat. I wouldn't dare watch the presidential debates without a *nazar* nearby!

The *nazar* was in every airport in the Aegean Sea region. And sure enough, people at the airport are treated decently. Security was a breeze. They look at your passport, make sure you aren't carrying deadly weaponry, and let you go with a smile. And this was even true in Turkey, a country that has every reason to fear real terrorism. After all, it is a secularized Muslim country and an ally of Israel. It is surrounded by enemies. And yet, thanks to the *nazar*, the passenger feels no threat from the security apparatus.

Actually, the *nazar* is everywhere in Bodrum, Turkey. And sure enough, I didn't see a single cop anywhere. Once while walking through an upscale commercial mall, I saw a badge. I asked the woman if she was with the police. She corrected me that she is security, *private security*, and then flashed a warm smile. The *nazar* is working its magic here!

But once arriving in the United States, I didn't see a nazar. Instead, while at immigration control, everyone watched a propaganda film with a faux-Copland musical score that told all about the glory of American freedoms. Ahead of me in line was a nice family from mainland China, a father dressed in a suit, a busy mom in a dress, and two kids in strollers. They were held for twenty minutes while the rest of us waited. The immigration official forced them to be fingerprinted and handprinted and retina scanned fully three times, and they were interrogated intensely. They were clearly being humiliated, but they maintained a disciplined posture of calm.

I caught up with the father in the airport tram later. I apologized for how he was treated, explaining that while government is getting less invasive in China, it is getting worse in the United States. He smiled at me and then asked: "Do Americans hate their government as much as the Chinese people do?" I answered with some wishful thinking to make him feel better: "Yes, the American people do not like their government. It is the common enemy of all mankind." He smiled again, and seemed to feel a sense of relief.

The nazar could do a world of good at the US border. In fact, it should be hung in every bureaucracy. Maybe the Washington Monument should just be replaced completely with a giant blue eye to stare back at the bureaucrats, when they stare at all. We need the nazar at every bank, in every home, at every business, and in every commercial center. An eye for an eye. A world safe from the effects of envy.

109 Sexism and Market: There Is an App for That

At first I was rattled by the advertisement for a service called “TrueCar.com.” This handy smartphone app prints out a certificate that shows what the actual selling price has been for particular car makes and models in your neighborhood.

You present that to a “certified TrueCar dealer” as a way of putting an end to the hassle of negotiating a price on a good we don’t buy that often. You can be sure that you are paying the best possible price.

It’s a nice service for everyone, but what struck me was the demographic targeted by the ad: women. Near the end of the commercial, a woman puts a fine point on it with a sense of confidence: “I don’t need to bring a dude with me.”

Hmmm, I didn’t actually know that some women felt that they might get a better deal by letting a man do the negotiating. In fact, I don’t think I knew this was an issue. Now, if you are a woman, you might be thinking, “Are you kidding me? Everyone knows this and it is annoying as heck!”

If so, I stand corrected. But I wondered: Is this sexism perception, or has there been some scientific verification of it?

THE EVIDENCE

I looked it up and was overwhelmed by the empirical evidence. The evidence began to pour in in the early 1990s, starting with Ian Ayers’s *Harvard Law Review* piece that upheld car-price discrimination as proof that government needs to go much further to purge sexism from society and economic life.

There is no question that the empirical premise is correct. Blacks and women in general pay higher prices for cars. This truth has been demonstrated in every study without exception.

You might at first think this is because women and blacks are just not as willing to “drive a hard bargain.” But researchers Ayres and Peter Siegelman (Yale) tested this, too, by sending in customers using the same negotiating tactics.

“More than 300 paired audits at new-car dealerships reveal that dealers quoted significantly lower prices to white males than to black or female test buyers using identical, scripted bargaining strategies,” they wrote in 1995. “Ancillary evidence suggests that the dealerships’ disparate treatment of women and Blacks may be caused by dealers’ statistical inferences about consumers’ reservation prices.”

In other words, sellers might just be presuming they can get women and blacks to cough up more money for the same good. And they get away with it, too.

MARKET FAILURE?

Now, at first a market advocate might feel defensive about this little revelation. Does it not show that sellers are essentially getting away with a kind of racism and sexism? That’s the implication behind many of the studies. Is this not a market failure? The further implication is policy-related. If markets are this unfair, don’t we need government to do something about it, perhaps with price mandates that overtly stomp out this sort of thing?

I would say no to both assertions.

Speaking as an American white male, I might seem to be privileged and hence not a victim of this nonsense and, further, insensitive to its indignities. And, for the most part, it is true that I don’t experience such annoyances. I can completely understand why being disadvantaged on grounds of sex or race could be vexing, even infuriating, especially if it is systematic and pervasive.

Are there any circumstances under which I would be subjected to the exact same phenomenon? I can think of one: traveling in a foreign country and using a foreign currency. When I was in Turkey and wanted to buy a sponge from a street vendor, there were no posted prices. He quoted me ten euros and I made some effort to talk him down but ended up settling on nine. Every good seller wants the customer to believe that he or she won, and I did feel that briefly. But as I walked away, I had the sense that that probably paid twice what any native would have paid. I can’t prove it but I’d bet on it.

And the same thing happened when I was in Italy, where I bought shirts, wallets, and shot glasses at prices that would probably cause every real Italian to point to me and say, “sucker!”

Was I victimized? I wanted that sponge and it was worth more to me than the nine euros in my pocket. The vendor regarded my nine euros as more valuable than his sponge. We traded. We benefited. Both of us were better off than before. By how much? There’s no way to quantify it. It is

a subjective sense. So I didn't really walk away as a victim of anything. I won just as the seller won.

Might this vendor have traded the sponge with a native bearing four euros? Perhaps, but how does that counterfactual actually hurt me? It certainly doesn't mean that the vendor somehow "ripped me off" because I paid five additional euros. I gave my money willingly. No one forced me. I could have walked away, but I did not.

THE DIVINE PRICE

There is no "just price" that is dictated by any divine law. A price is a point of agreement between buyers and sellers—the point at which they are willing to act to the mutual benefit—and nothing more. Whatever price causes the exchange of property titles is the right price.

Why should it matter to me at the point of the exchange whether others before or after me are paying less? Perhaps I would rather pay more than experience the anxiety of continued haggling and bargaining. Perhaps I really am clueless about the "true" price of a sponge but find the costs of discovering the going market price to be too much trouble.

It seems to me that, in the cases of the Turkish sponge or the Italian leather goods, I am clearly being discriminated against on grounds of being an ignorant foreigner who knows nothing about local market conditions. But this discrimination doesn't hurt anyone at all. It's not a "rip off." I'm not being "taken advantage of." I'm not being "robbed." I'm making a deal on a pure, mutually beneficial basis.

Now, you might say that it's one thing to be overcharged in some far-flung country by some itinerant street vendor. That's not so humiliating. But to be systematically overcharged on a necessary purchase within your own locale solely on grounds of sex or race is degrading. Maybe it is true that no one is physically harmed, you are thinking, but it is just dehumanizing for markets to end up producing such predictable inequalities in the treatment between people.

Again, I can understand the annoyance. Such things account for why many people doubt that the market is a mechanism for the delivery of fairness and impartiality.

But are "markets" themselves actually doing this? Markets are not the problem; markets are the solution. The car market has long been an annoyance to most Americans, regardless of sex or race, because buying a car is one of the few times in our experience that we have to deal with posted

retail prices. As a result, market-based services that reveal broader market prices (Blue Book) have been around for decades.

The Internet changed the game dramatically. By the early 2000s, we began to see it changing the way car retailing works. A 2003 study (by Fiona Scott Morton of Yale, Florian Zettelmeyer of Berkeley, and Jorge Silva-Risso of J. D. Power) concluded that “the Internet is disproportionately beneficial to those who have personal characteristics that put them at a disadvantage in negotiating. African-American and Hispanic individuals, who are least likely to use the Internet, are the ones who benefit the most from it.”

Once it became possible to carry a full and detailed price structure on your smartphone, the jig was largely up. And today, the car retail market is tending toward a “no haggle” price, perhaps in response to better price-discovery technologies.

And yet the problem—which is a problem only in the sense that it is an annoyance, but doesn’t amount to robbery or fraud—hasn’t gone away entirely. Hence, TrueCar’s targeted advertising campaign. But look at this: What some might describe as a market failure is actually a market opportunity. A few companies saw a chance to profit by addressing the harm felt by women and minorities in the retail car market.

How much better are these market solutions than a law that would fix or mandate posted and enforced prices across all demographic groups? Such a law would actually harm producers and consumers by denying them the right to negotiate lower prices. A law like that does real damage. An example is “equal pay for equal work” laws. They end up restricting opportunities, lowering producer profitability, and reducing opportunities for bargaining.

The moral of the story: if you have a problem with the way the market is treating you, don’t go to government. It’s too blunt an instrument. There might be an app for that. Or you might be looking at an opportunity to create and sell your own app. Markets contain within themselves the basis for solving their own problems, and always more elegantly than the rough hand of the law. You don’t need to “bring a dude with you” after all.

Special thanks to Cathy Reisenwitz for her extremely insightful comments on a draft. She bears no responsibility for the final product.

110 How the State Works: Learning from *Orange Is the New Black*

The real-world operations of the state are not entirely easy to understand, and most people who think about this subject are incredibly confused. I would like to recommend the Netflix series *Orange Is the New Black* as a fantastic way to understand the relationship between the rulers and the ruled, and how the machinery of coercion and compulsion actually works.

It's a prison drama based on a true story. It chronicles the fifteen-month prison sentence of a woman raised in a bourgeois environment who gets mixed up in a drug cartel and is later caught and turns herself in. The show is brilliantly made just as a piece of dramatic storytelling. What it reveals about the operation of power is particularly fascinating.

By way of background, there are three general ways that people tend to view the operations and motivations of the state in our time. There are those who see it as a big, warm, loving, and even magical entity that brings happiness, security, comfort, fairness, justice, equality, and prosperity to all. Others see the state as the tough-love parent or stern teacher that keeps society and culture on the straight and narrow path, imposing order and punishing deviance, and, as such, is the thin blue line that separates civilization from chaos.

Then you have the most naïve view of all, that the state is what the politicians forge it to be in response to the wishes of the voters, and so, therefore, and because of democracy, there is a fluid and organic relationship between the social order and the government that emerges from it.

Orange gives a much more realistic presentation of the operation of state power as it truly exists. Politicians are not really involved except perhaps as periodic outside agitators who make noise and possibly shift priorities from time to time. Otherwise, the political game is pageantry, pretty faces that struggle to hold office and put together a personal power structure that gives them status and money.

The system of the actual state, however, operates without them and certainly without any real democratic oversight.

The real power of the state comes down to those employed to work within the ranks of the enforcement machinery.

In the prison environment of *Orange*, these include the guards, those who guard the guards, and those who work under the warden, who himself responds to those above him in the chain of command. The same would pertain to any bureaucracy within the bowels of power: Department of Education, Labor, Health, Homeland Security, etc.

The prison administrators are careerists and risk averse, mostly interested in keeping disruptions and blow-ups from happening and otherwise dedicated to advancing their personal careers within the state structure. The administrators above them are self-interested too. They fear bad press and public disturbance of routine. This is why they enforce the law, not because they believe in it but because doing so is what their job requires.

The guards are interested in order above all else, staying safe and working their way up. And who among them actually believes in the structure of regulation, legislation, and law they are enforcing? None. None believe in it at all. They happily look for ways around the very rules they are enforcing. They must. The law is absurd. No one could possibly comply and retain his or her humanity. And so, whatever they can get away with—bringing in drugs, carrying on sexual relationships with each other or prisoners, trading goods and services, skirting regulations at every turn—they are happy to do provided they can get away with it.

The guards learn to live and work as hypocrites, except that they don't see it that way. They know full well that no one within the system is untainted. Everyone in the machinery treats it as a pleasant lie or a legally mandated masquerade. Around each other, however, they must feign compliance and give off the appearance of faith in the system. They are fantastic pretenders. Fundamentally, however, the system has no convinced adherents. It's a machine that operates because it exists as a matter of formal legal code. It's a system like any other, and because no one person has the power to change it, even the enforcers of the system figured out how to turn the system to their personal advantage.

This fits entirely with everything I know from people who have worked within the “belly of the beast.” No one knows more about the corruption and hopelessness of government than those who work within the power structure. They see the absurdity of it all. They often hate their lives and their colleagues. Why don't they leave? It's the best career option out there, and the longer they stay within the system, the fewer options they have to leave or thrive outside of it.

There is no real moral difference between the ruled and the rulers in *Orange*. The women in prison mostly took a bad turn in life and got caught up in the system. The people who guard them ran out of other options in life and similarly got caught up in the system. But they are all human beings, none necessarily better or worse than anyone else. They inhabit the role of “prisoner” or “guard” as a matter of legal convention—an assignment of caste that is mostly arbitrary. For example, many of the prisoners are there for drug use or distribution, but the guards themselves do the same and, so long as they are not exposed, pay no real price. Others are in for theft but the guards and administrators steal routinely. Whether you end up on this side or that side of the law comes down to the luck of the draw or the arbitrariness of fate. (If this sounds to you like a New Left theme from the 1960s, you are right—and there’s much to say for it too.)

Even despite this, a remarkable thing happens in the prison. A genuine society emerges. It is truncated. It is distorted in crazy ways. But it still exists. Organic forms of association, trade, love, mutual support and aid, and complex communication all emerge and thrive within the prison—a wonderful tribute to the impossibility of suppressing the human spirit. For some prisoners, the order that emerges within prison is a far better option than that available outside, where freedom supposedly exists but ex-cons are hectorred by parole officers and saddled with debt and denied access to a normal life.

At various points in the show, the viewer thinks the unthinkable. If this system is universally exploitative and pointless, if there is no real difference between the prisoners and the guards, if the people who run the system have no real belief in the justice or merit of any aspect of the system, why doesn’t everyone just close up shop and go home? Let the prisoners free and turn the prison into a commercial space in which something productive can happen. Why must this regime persist even in the presence of vast noncompliance, incredulity, corruption, waste, and folly? The answer is truly chilling: because we are all ruled by this thing called the legal code. It is our master, the maker of our daily plight. It is fiction, a nonliving, nonbreathing arrangement of letters on a page, and there are millions upon millions of pages of them. This, and not any particular individual within the system, is the foundation of modern despotism.

That realization is both terrifying and encouraging. It means that most of what people undertake to somehow control or influence the state is a waste of time, simply because they have misunderstood its structure. On the other

hand, the realization underscores how ultimately fragile the power structure truly is. It can vanish in a flash under the right conditions.

Such is the message of *Orange*. Everyone can learn from this show, including (and especially) libertarians who have every reason to develop a deeper and more sophisticated understanding of the state they oppose as well as the liberty they love.

111 Plotting Freedom in Free Spaces

Early in the 1981 movie *Reds* —which chronicles the fascinating but ill-fated lives and politics of the Progressive Era communists in the United States—all the main characters are gathered in an idyllic pastoral scene, living in a cabin by a lake. They read to each other. They write and work. They laugh and play. They get serious and talk about the future that they are plotting together. This was where it began.

Yes, they are communists but, to them, their ideology was not about command and control. They were mainly interested in overthrowing systems of oppression such as warfare, corporate statism, and all forms of imposed hierarchies. There gathered were famed communists such as Jack Reed, Gene O’Neill, Max Eastman, Louise Bryant, and Emma Goldman. Here was where they learned from each other and grew as intellectuals and people.

Their dreams and the way they saw the world were inspiring. They dreamed of human freedom—a distorted dream but one that protested against very real injustices. They chose this cabin and this way of working out essential intellectual problems because it detached them intellectually and spiritually from the rigidities, regimentations, and routines of daily life. A few years later, their dreams arrived in the form of a revolution in Russia and political upheaval all over Europe and the United States.

I recalled these scenes from the movie as I sat in awe at the scene at Willow Pond in Orono, Ontario, where I have spent the last four days with a hundred others who are on the intellectual cutting edge in the same way as the communists of old. The sense of freedom you see in the movie *Reds* was on display here—in the natural beauty, the conversations, the ebullient and optimistic spirit, the passion against injustice.

The vision of human liberation they imagine, however, is clearer and more intelligent than their predecessors from a hundred years ago. Here are libertarian activists, intellectuals from universities, organizers of think tanks, attorneys dedicated to stopping the madness of our times, students dreaming of a better tomorrow, merchants and journalists who see their professions as harbingers of the world of cooperation and exchange soon to dawn.

The event is the Liberty Summer Seminar, founded in its early years by Georgetown philosopher Peter Jaworski, and now hosted by Canada's Institute for Liberal Studies, a small think tank with a huge reach. Those who are fortunate to be here for these few days never forget it. It forms people in more ways than even they are aware of, because it presents a style of thinking and a civil way of engaging, and it holds forth a vision of what could be in a future of peace and prosperity.

Honored to be invited to lecture here, I stayed in the bed-and-breakfast owned by a Polish family that is deeply devoted to the cause of human liberation, and this is because they experienced life in its most unfree form before immigrating before the end of the Cold War. You leave their loving home and turn the corner and see a small opening in the thicket of trees. You walk straight down for about fifty yards and then the idyllic scene opens to you, as if straight from the movie.

The pond is beautiful, and people swim and boat in it. Tents line up on one side of the pond. Near the pond-side cabin, people eat the best food, made with loving care in the household just up the pathway. Evenings last till implausibly late because no one feels particularly sleepy—and the mornings are slow to arrive, stretching out for hours and marked by periodic splashes of water as people leap off the pier, swimming and talking until the first lecture of the day begins.

Then they gather around the main tent and listen to lectures and participate in freewheeling question-and-answer sessions. The evening arrives, and the people debate high-level social and political problems around the campfires. In other places around the pond, people perform music and dance.

I've been to countless seminars and colloquia in hotels and conference centers. None can quite capture the sense of what you experience at Willow Pond. Here you feel as if you are living what you are dreaming, seeing in real life what you imagine could be. It's not really about the pond, the trees, the flowers. It's about the people and their diversity, the ideas and the passion with which they are conveyed and considered, the impressive balance between agreement on firm principles and openness to new ideas.

It is absolutely formative and seminal for everyone present.

My own talk might have been about economics and commerce, but I took matters in a different direction, straight to the realm of nonscarce goods represented by ideas and their capacity for changing the world. I chronicled the great migration of our times, the systematic and step-by-step move of ever more of the world we value and its escape from the constraints of the physical world to enter the infinite, malleable, indestructible, and immortal realm of

the digital cloud. It's all been made possible by human choice, creativity, and the capacity of human beings to cooperate to their mutual advantage even on terms that are geographically noncontiguous. This is the world that is opening to us daily.

What does this imply for the task of libertarians today? It alerts us to the power of action, choice, and technological innovation. These forces can do more for the cause of human freedom than all the political action, which, however essential, is not now and never has been the driving force of history. As speakers like Steven Horwitz, Jan Narveson, Robert Anthony Peters, and Montana Jones showed, it's the people who dare to step out and challenge the status quo who make the difference through a very subtle form of rebellion: daring to persist in innovation and merchantcraft despite the constraints of the central plan.

I like to think that if Jack Reed, Emma Goldman, and Max Eastman could see this scene at the Liberty Summer Seminar they would be thrilled. Their dreams died because they made mistakes. They linked their cause with the state. This group is different. Their dreams are bound up with human action, choice, and the capacity of society to manage itself. That's really the only secure, promising, and genuinely progressive sector in which to place the faith and hope of humanity.

In order to have liberty, liberty must be built by us. That's the essence of the idea that flourished so beautifully at Willow Pond.

112 The Tinkers Save the World: Review of *Oz the Great and Powerful*

The absolutely dazzling film *Oz the Great and Powerful* contains the best definition of an entrepreneur/capitalist I've ever heard expressed on film: a person "who sees the future and makes it real."

In fact, this is the entire thematic structure of this prequel to the great *Wizard of Oz* classic. The ostensible plot purpose is to show where the Wizard came from and why he is there. But the mighty takeaway is much more thrilling: technological progress is the way forward for freedom and the single best means we have for keeping the evil of power at bay.

The context of the comment about entrepreneurship is a tribute that the small-time traveling magician Oscar Diggs gives to the real-life Thomas Alva Edison. He speaks of his inventions, his technologies, and how they bring real magic to the world. He contrasts Edison with himself. In many self-deprecating moments, he says that he is only a con man collecting money for shows that fool people into believing things that aren't true.

Someday, he says, he would like to be a great man like Edison.

When Diggs's balloon gets caught in a twister, and he is swirled away to the gorgeous land of Oz, he gets his chance to be great like Edison. When he lands, he is greeted as the Wizard long foretold in prophecy. His few magic tricks seem to confirm that he is. But when he is called upon to defeat the evil witch, he balks. He is certain that he doesn't have the power to do this, and admits this to his inner circle. And yet, he is the only hope that the people of Oz have to reclaim the Emerald City from control by witchery and restore freedom and prosperity.

His first thought: he must raise an army. After all, this is the conventional route: state vs. state. But then he gets a look at the townspeople. They are all craftsmen and merchants. There's not a single soldier among them. There are people who sew, people who farm, people who sell, woodworkers, and then there are the tinkers.

Tinkers! I haven't heard that word in years. It is of medieval origin. The name was originally assigned to some of the earliest-known merchants at

the dawn of the age of capitalism. They were people who melded tin into pots and pans for people to use at home. Tin pots, pans, spoons, ladles and such things were the smartphones of the middle ages, the goods once available only to the richest few that were now available to the masses of people.

They travelled with carts, their tin items all clanking together in a pretty way. The sound echoes through the ages. In fact, the sound is used as background percussion in one of Mahler's symphonies, and it works to conjure up pastoral scenes of early forms of progress at the dawn of modernity.

Gradually over time, the word tinker came to apply to anyone who works with materials of any sort to adapt or adjust or create useful things that affect daily life. It's a lovely term, one that could apply today to software programmers or app-economy merchants.

Well, in this film, everyone plays a role to save the day including the farmers, the sewers, and others, but it is especially the tinkers who do the greatest work of all. Here's the division of labor doing what no army could ever do. But most especially it is the tinkers who cause the magic to happen. It is not real magic; it is technology. But it does the work of magic in causing evil to flee and bringing security and freedom to the world.

This is a beautiful message. Forget raising an army. Raise up something even more effective: empower the tinkers to work within the division of labor! It is through these means that the ostensible con man (he is actually just an entertainer and there is nothing wrong with that) becomes a great man to save the city.

The cultural milieu of the film perfectly captures the period in which the first book was written (1900). It recalls the great days of the Gilded Age when the whole population looked to technology for the evidence of the progress of humanity.

In those days, technology went by the name the "practical arts." I like the phrase. After all, technology and innovation serve no purpose in isolation from their human utility. It must be practical to be of value. And surely it is art, no different from painting, music, or dance. It is seeing the future and making it real.

In those days, inventors were godlike. Wealthy industrialists were the new royalty. Peace and cooperation was seen as vastly more productive than war and conflict. People traveled for weeks to see the world's fair and observe all the cool new things on display. Several generations were raised in this world during the last decades of the nineteenth century until World War I shattered this beatific vision.

But look around us today. What has made us freer? What has given us progress and liberated so much of humanity from poverty, despair, despotism, isolation, disease, and fear? It has been technology. This is what has liberated us from the despotisms of fascism, socialism, and war that made such a mess of the world in the twentieth century. Technology is the light, the thing that is showing us the future and making it real.

And so it is in this film. We see how the practical arts save the day, frightening the forces of evil that are bent on making us live in fear and want.

It's about time that the tinkers of this world are given tribute for what they do. We live in times when the great entrepreneurs who have given humanity so much—almost everyone today lives within ten minutes of mini-utopias of goods for sale, places that only existed in the wildest imaginations of 99.999 percent of humanity in the course of history—and yet they are hardly appreciated for what they do. On the contrary, popular culture puts them down as exploiters and menaces.

In fact, as I think about it, the film itself foreshadows this eventuality. The masses of people in the end remained convinced that it was the Wizard who saved them. He takes control of the palace and all its gold. They adore him—and to that extent they still aren't free. The people of Oz will never be finally free until they fully realize that they saved themselves through their own ingenuity.

The same is true of our times.

113 Economic Lessons of Black Friday

Tooling around at the wee hours on Black Friday, see parking lots full of cars, I didn't witness any of the hysteria and shopping fights that the media like to focus on, as if to paint a picture of a greedy, grasping American middle class enticed by the prospect of ever more material accumulation at the lowest possible prices. What I saw instead were people out early to look for good deals. Everyone was polite, happy to obey the first-come-first-serve rule that has emerged as the norm for assuring peace.

But here's what troubled me. Many of these shoppers who stood in line are among the first people to demand free healthcare. They are the people who cheer the crackdown on price gouging during emergencies. They favor the minimum wage, probably. They expect a stream of retirement income for which they have not previously paid. In other words, these people have practical but not theoretical respect for the price system and its fantastic capacity to ration scarce goods in a peaceful way.

The first lesson that people should take from Black Friday is that goods are scarce. There can never be enough of them. And if I own something, you can't own it. If I buy a set of wireless headphones, you cannot also buy the same set. You can buy another set if there is one but we cannot simultaneously own the same set of headphones. That is to say, there is a contest over goods that exist in the physical world, and every society needs to have some means, hopefully peaceful means, of settling these conflicts.

This essential point is what gave rise to economic science, the field of study that examines the ways in which societies deal with the great problem that there are unlimited wants but scarce means to serve those wants.

There seems to be only three ways of dealing with this problem. We can pretend to hold all things in common but that quickly proves physically and practically impossible. It leads to fights, overutilization, inefficiencies, and various absurdities. For example, it solves nothing to announce that everyone owns my headphones. This is why socialism is ridiculous.

Another way the conflict can be resolved is through dictatorship. We can put one guy in charge who determines who gets what. This presumes that

he knows the best distribution and the best path toward further production, which he does not. So you just end in arbitrary allocation. Plus, this path is not too pleasant. It means the end of things like freedom and human choice. This is a real downer. It annoys people to be treated like slaves.

The truly brilliant way of dealing with scarcity is to permit private property to emerge, have people trade stuff based on their own value assessments, and let exchange ratios emerge so that people can plan and have a sense of what is and what is not available. These are called prices. These prices make peace possible in a world of scarcity.

How do prices work? Black Friday tells the story. If you lower them, you inspire people to consume more of a good. If you raise them, you can expect a lower quantity to be consumed. This is how scarce goods are rationed peacefully. Through accounting, producers can assess whether it is economically rational to offer goods and services for sale. If doing so makes a profit, you do more of it. If it generates a loss, you have to change your ways or go belly up.

And it is not just about physical stuff. The time we spend doing tasks is also scarce. Every action involves a tradeoff. The thing we are not doing is the cost of what we are doing. So when we are standing in line for a long time for a low-priced good, we are expending resources in a different way. You might spend fifteen dollars instead of thirty dollars for a set of headphones, but if you have to wait six hours to get that lower price, it might not be worth it. The crucial thing is that every actor has to make these decisions for himself and with his own resources in mind.

Every step away from the price system is a step toward the absurdities of socialism or the irrationalities of dictatorship. Even distorting those prices sends wrong signals to people and distorts their consumption and production decisions. Fixing prices fixes human behavior, making it impossible for people to strike deals with each other without violating the law. This is what minimum wages do. This is what laws against price gouging do. This is what the Fed does when it manipulates interest rates, which are really just prices for money and its use over time.

Think of all the troubled sectors of economic life today. Think of education or healthcare or the justice system, for example. What they have in common is that the price system is not governing allocation and production decisions. Instead, decisions are made by bureaucracies and third parties that have no real stake in the accounting outcomes or the quality of goods or services.

So long as this is true, there will be terrible distortions. We won't be happy with the results. This contributes to political pressure to do something to fix the problem but this fix is also subject to the universal rule that you can either move closer to freedom or closer to dictatorship. This is the dynamic driving all economic reform today.

If the shoppers on Black Friday were to draw on their experiences, they would see these things and become passionate advocates of laissez-faire. Sadly, this is not likely. People take the market system for granted, presuming that it will always be there for them. But will it? And will we understand what we are missing when it is fully smothered by political imposition?

114 The Media Revolution of Our Times

There I was listening to Bernanke's press conference in the background, not on television but on the Fed's Ustream channel. It's one of the best technologies around but it is not reserved for the elite; you and I can have a channel on Ustream too, and instantly broadcast to the world anything going on in front of us. I could broadcast my breakfast to billions if I choose to do so. So the Fed uses it, same as millions of others.

Thanks, private sector: you have done yet another thing that no government agency could have ever done.

Back to the bearded one. So Bernanke is going on about his miraculous cure for what ails us—he will print oceans of money!—and thoughts are going my mind. So, of course, I decided to record them in real time by tweeting out various passing observations. These comments spin around and circulate here and there to interested parties in this strange land called Twitter, where your communication experience is 100 percent tailored to meet each user's needs. (You can follow me @jeffreytucker.)

Thank you again private sector for making a thing that no one could imagine only a few years ago, and giving it to the whole of humanity.

Some nice people at the *Huffington Post* noticed my tweets, and dropped me a note to come on their live show to talk further. How is this possible? These people are on the West Coast. No problem. If you have a laptop, you are good to go. No satellite necessary. No studio necessary. Just open, click, and there you are. How? By using a thing that didn't even exist eighteen months ago: Google Hangout. With Google Hangout, you can have up to ten people doing simultaneous audio and video in real time. The camera automatically switches between the speakers.

By the way, all the stuff I've mentioned so far is free. Had I described this stuff to someone ten years ago, that person would have said: sounds amazing but surely it breaks the bank. But leave it to the supposedly money-grubbing private sector to give us the most amazing things in ways that astonish us, even while making them free.

We repay the favor by hardly noticing. In fact, we mostly complain when the service isn't perfect.

A few hours later, I opened my magic box and received the hangout invitation. Here we are, all five of us piled into one geographically noncontiguous room. The host appears and introduces herself. She is in a real studio. The show begins. She looks like she is on television. She sort of is, except that it is the Internet. Who can tell what's what anymore? She is looking at a big screen that is actually our hangout, and that scene is filmed and broadcasted live on the Internet. You only need to show up.

This show is embedded in a frame inside the *HuffPo* website. Meanwhile, people are commenting on what we are saying. Anyone can jump in and everyone can see it. There are only slight delays in the sound. The picture quality is incredible. The show is fun. There are no technical screw-ups at all. It seems stable and wonderful.

Twelve months ago, this product had just been launched. It improves by the day. The result is the radical democratization of media. Anyone can run a television show. Anyone can be on that show. It wasn't that long ago when there were three channels and you took what you could get. That was the world as we knew it. We thought it was pretty cool. Now there are billions of channels and everyone has a chance to speak. It is not chaos. It is beautiful, a beautiful anarchy.

Once again, it is brought to us by the private sector, through free exchange, entrepreneurship, the private ownership of capital, and the price system.

Completing the irony: we were there to talk about a press conference in which Ben Bernanke mapped out his plans to undermine all those institutions. I was the only guest on the show to take issue with him on a fundamental level. Everyone else thought his ideas and plans were pretty good.

Free enterprise pours its blessings out over the whole of society; society repays the benevolence through indifference and even sympathy for its enemies.

As to the contents, everyone else in the room presumed several things: (1) Bernanke has the best interest of the economy at heart; (2) the means he is using are the best way to achieve the goal of quickening the recovery; (3) the downside such as dollar depreciation is either not going to happen or is a good thing if it does.

I disputed all three. (1) Bernanke is mostly interested in propping up the system he rules, not the economy in general. (2) The means he is using will have no beneficial effects for economic growth, as illustrated by five years of failure, and (3) the downside is already here in the form of a broken credit system that is robbing the middle class.

115 Touring Real Life through Real Markets

Mom loved vacation trips. Her idea of a vacation, however, was sitting in a canopied bus listening to canned talks about headline attractions you could see out the window. We saw buildings. We saw gardens. We saw canyons, towers, battlefields, and monuments. The tour guide droned on, and the passengers nodded at sight after sight.

I sat there bored out of my mind, dreaming that someday someone would invent the smartphone.

The missing piece in this style of travel: people. What did the people in these places we visited actually do with their lives? What they did make, buy, and sell? What did they like, how did they live, and what could we learn from them? How is it possible to visit anywhere if you never actually see any of the real stuff that makes up life itself?

Nothing in this world is more human, fleshy, tactile, and evocative of the spirit of a time and place as a real market. The glorious open-air market! It has been with us since the ancient world, the essential place for all the things that make life grand. Food, clothing, and all the material goods that assist us in our great climb out of the state of nature are here.

It's the merchants and their customers that make it all happen. My earliest memory of a market was very rudimentary. Some Native Americans in Santa Fe, N.M., were sitting on the sidewalk displaying turquoise jewelry. It was beautiful and dazzling, and so were those who made, sold, and bought it.

Then there was Juarez, Mexico, a place unfairly known only for its crime and its violent gangs. You can focus on the bad or look at the good: the whole place was a teeming marketplace for every good and service you could dream up. These were the people who made the place wonderful and exciting. These were the humble servants of the people. Merchantcraft can add life, energy, creativity, and surprise to what would otherwise be the dreariest spots on earth.

We think of the ancient world and imagine great philosophers speaking about big ideas, strolling the streets of Athens, and speculating on life and its meaning. I love these guys as much as anyone, but here's what always bugged me about these people.

It's fine that they had a calling to think and live the life of the mind, but what made this possible? It was the merchants who built their houses, fed them and their families, put those togas on their backs, and made it possible for them to rise above the status of hunter-gatherers.

And how did the great philosophers of the ancient world repay their benefactors in the merchant class? They loathed them. They considered them just above the class of slaves. They regarded them as beneath any social dignity, and they taught their students this way. They were the philosophers, the real rulers of history. The merchants, the peddlers, the sellers of things that keep people alive? Totally dismissible.

It took centuries for this attitude to change. Actually, more precisely, so far as we know, this attitude lasted all the way through the Middle Ages until the Renaissance, a time when life began to seriously change for the better. The middle class was born. Ships filled the harbors and new fortunes were made by serving others. Goods and services flowed. Social mobility came to the world. Regular people like you and I found economic opportunity. The lights came on.

And who made it possible? Not the kings and the kept intellectuals of the powers that be. It was the merchants, that put-upon class of citizens that toiled, took risks, and created all those long centuries, even while never receiving the credit that was their due. They gave birth to modernity, to a new world of opportunity.

Finally, the intellectuals took note, and a new idea was born. That idea was liberalism, the notion that society flourishes most when commerce and human association are free from all forms of interference. This is the ideological infrastructure of Laissez Faire Books and the Laissez Faire Club, which rallies believers in true liberty toward self-education and the building of a network of freedom lovers the world over.

And where better to observe this view of life in operation than an open-air market? Everywhere I've traveled in my adult life, this is where I like to be. Here the prices form by human negotiation. The merchants have to persuade and push. Everyone is serving and being served. The essentials of life are bought and sold. And it all happens in what is really a world of anarchy, a world ordered by human action.

VIII

POSTSCRIPT: INTERVIEWS

116 Interview with the *Daily Bell*

Daily Bell: Give us some background on yourself. Where did you grow up?

Jeffrey Tucker: My family has generally lived in the Southeast region of Texas since 1830, when an idealistic son of a Congregationalist minister bailed out of his homestead in Massachusetts. He was seeking a better life, and he was willing to forego roots and security to find it. So it was with this whole generation. Its best sons and daughters were handed fliers that advertised new land settlements in the West and South that promised that they would see and experience amazing things, just as their ancestors had when they first left the Old World for the New World.

Demography and entrepreneurship went together. My ancestors reveled in how far from feudalism they had travelled. They could go anywhere, do anything, make a life for themselves. Whether they thrived and shriveled, lived or died, at least their fate was in their own hands and they obeyed no masters. Freedom was everything. It was not an abstraction. It was something that they lived and breathed every moment of their lives.

My own father had this spirit in his blood. He never cared for convention or the rules of any institution. In fact, he warned me often that institutions enslave the human spirit and one must always be prepared to walk away from them. He was a musician, historian, professor, preacher, sportsman, composer, camper, explorer, intellectual, and all-round dreamer. He died young, and I think about him often and just how much I have inadvertently followed this same path.

He had me out working in some commercial field from an early age, as well as learning music. I worked as a roofer, well digger, carpet layer, piano mover, organ tuner, department store maintenance man, busboy, box crusher, dish washer, jazz musician—and all before kids today are even allowed to work at all! Back then we just lied about our age and accepted cash under the table. Today, people are too afraid.

Daily Bell: Was this what drew you to economics?

Jeffrey Tucker: Music was my specialization, but one day I decided that to make it my profession seemed too scripted. I fell in love with economics, starting college early as an economics major at Texas Tech University and then transferring to Howard Payne University where I entered a full-paid honors program. There I was paid to study under private tutors, and I pretty much read what seemed like the contents of the library. It was the beginning of my real education, and it was here that I plunged heavily into the Austrian tradition.

I later took journalism classes, worked with Ron Paul when he was out of office, and enrolled in graduate school at George Mason University. I made good friends and had great professors, but I knew that academia was not for me. I had a hankering for journalism, institution building, and commercial endeavors. My love affair with the idea of liberty became everything to me. It still is.

Daily Bell: What about your ideological travels?

Jeffrey Tucker: My earliest political memory was of defending Nixon in the Watergate lynching, just because I was sick and tired of the school's hectoring me about how evil he was and how great his opponents were. My parents were reflexive Republicans when elections forced them to decide so I'm sure that had something to do with it.

Later I became a hard-nosed conservative of the Reaganite variety but I'll tell you what changed that. I was whooping it up for war against the commies in Latin America and my Marine friend said that he agreed but he did have one major doubt: he felt bad about all the fungus.

I said, what are you talking about? He said that when you are in those wet climates, slogging through rivers, you start by getting athlete's foot and then it spreads to become jock itch and pretty soon it hits your chest and armpits. There is no real way to stop it because you keep putting on the same shoes and clothes and they are wet all day, and the medicines are useless.

Apart from that, he said, war was probably pretty great. Well, somehow I recall this story well because it was the first major break I had with the idea that war was romantic and glorious. After that, I had a hard time pushing for troops to go to El Salvador and Nicaragua. I am aware that this is a stupid point but this image is very vivid whereas numbers of dead seems to be more abstract.

It was only a few years later that I was devouring books by Noam Chomsky. He more than anyone absolutely broke whatever attachments I had to the US military empire. By the time the Cold War ended, I was a dedicated libertarian and anarchist.

Murray Rothbard's personal influence had a lot to do with pushing me over the top here. His anarchism just seemed so normal, fun, and freeing. Albert Jay Nock also had a big influence on me. I eventually ran out of excuses for the state to do anything at all. What the state does, the market could do better, and what the market can't fix the state only makes worse. The obvious conclusion: let's just have the thing that works, namely liberty, be the thing that governs society.

Daily Bell: Tell us how you joined the Mises Institute and what you did there.

Jeffrey Tucker: I was attending a journalism program in Washington, DC, where the Mises Institute once had offices. It was like a dream when I saw the sign on the door. In those days, remember, there was no way to find out about the existence of anything unless you physically stumbled on it. I thought this was stunning: an institute entirely devoted to the ideals of Mises, an infrastructure both scientific and radical, rising above the fray to push what is true. I was in love even before entering the door.

I volunteered while finishing my program and eventually came to have a central role in publishing and website building and distribution of ideas. I would say that the best opportunity that this institution gave me was to liberate texts at the dawn of the digital age. We put everything online that could be put online. We attempted to harness the full power of the digital world on behalf of the scholarship and promotion of human liberty. It was a pioneering effort.

Daily Bell: You are now executive editor of Laissez Faire Books. What does that entail?

Jeffrey Tucker: Laissez Faire Books was founded in 1972 and served a gigantically important role in its day, mainly as a distributor and curator of ideas. It was profitable and exciting, probably the single most influential institution of liberty for twenty-five years. All the greats were involved in this project, especially Murray Rothbard.

As the libertarian movement matured, the usual fate befell the institution: factionalism. It seems to happen to many institutions in this world. They become far more concerned about differences among

the true believers than about the bigger goal that drove the mission in the first place. As *Life of Brian* might put it, the activists of the Judean People's Front spend all their time and energy hating the People's Front of Judea—never mind the Romans.

I have a theory as to why this happens—actually, it's not my theory. It belonged to St. Thomas Aquinas. It all comes down to the impossible goals that these movements set for themselves even as they fail to set the normal daily markers that push history forward and motivate people on a day-to-day basis. The original hope of revolution fades. The light dims and they find themselves in darkness.

People have a desire to make some difference in the world, and to be truly recognized for the difference they make, as Hegel would say. Since the impossible goal can't be achieved (“that mountain should fall now!”), the activists despair and turn to doing bad things to each other, as a means of affirming their temporal significance on this earth. Ignored by the world, people in these institutions seek ratification of their importance by struggling with the only people who really care about what they are saying. This is why so many people in the “movement” turn on each other; it is a sign of despair that their work is otherwise not amounting to much.

This is why I advocate the unity of commerce and ideology. It puts together two forms of idealism: commercial success with philosophical advancement. It gives markers of success. It ratifies a job well done. It rewards cooperation and civility. It affirms and recognizes the significance of what we are doing. It enhances human well-being on a day-to-day basis.

Anyway, to continue with the story, the digital age was cruel to Laissez Faire Books, and the original sense that it was the go-to place for books had faded by the late 1990s. The institution passed from hand to hand for more than a decade.

Finally in 2010 Laissez Faire was purchased by Agora Financial, a Baltimore-based company that has long specialized in uniting a practical concern for liberty with a commercial model of distribution. It was a perfect match, since Laissez Faire needed nothing more urgently than the application of the peaceful and productive spirit of commercial competition and cooperation to enliven its mission.

I was tapped in October 2011 to come on board and use my experience in publishing and editorial work to start a new chapter in the institution's history. It was an amazing thing: Doug Hill, Addison

Wiggin, and I had a meeting of minds within minutes of the opening of discussions. I went to work November 1. I absolutely loved getting to know all the supremely talented people here. They have vast experience in this world, and I find myself drawing from my own commercial experiences in my youth.

There was only one thing missing. How were we going to make a go of a bookstore in the age of Amazon and digital downloads?

Daily Bell: So what are your plans for the future of this imprint?

Jeffrey Tucker: Well, it took some time to figure it out, but we found a solution by returning to the original mission of Laissez Faire as a curator of ideas. This is more necessary now than ever. Today, unlike times past, the world is absolutely flooded with text and content. This is great but it is overwhelming. I know people who have stopped reading because of it. They find the digital age so frazzling. After they finish looking at email, answering Facebook messages, trolling around their favorite websites and watching their TV shows, that's the end for them.

There is no time for serious cultivation of the mind. This is the path to intellectual death. The ability to think critically begins to fade and finally dies. This is the opposite of what we should desire! People say that knowledge is power, but it is better to say that knowledge is freedom.

So we wanted to find a way to tap into the metapreferences that people have to become wiser, get smarter, feed their minds, be inspired to seek freedom in their own lives. Our answer is the Laissez Faire Club. It is a curation service, but also more. We offer weekly e-book releases, with new introductions, prefaces, explanatory notes, and more bells and whistles than you can get anywhere else. We offer video explanations of these books. We have forums to discuss them.

In other words, we developed a private literary society on a commercial model, complete with the delivery of actual books, and we are trying to do it all at a price that is barely even noticeable. So for ten dollars per month, you get a complete system of learning and inspiration. This is just incredibly cool. I have the sense based on floods of correspondence that it is doing a world of good in people's lives.

I cannot describe to you just how satisfying this is. After struggling my entire life to inspire people to take these ideas seriously, it is really happening here. And it is happening in a sticky way: I can see that it

is having this big impact on people's lives. People are telling me that they have taken up reading again!

Here's the key. We no longer face the struggle of getting enough to read. The struggle is for what we read and do to having meaning for us. The struggle is to become wiser, to really get serious in a way that improves our experiences right here and now. This is what the club is managing to do, and doing it in a way that is economically sustainable. I know this is working because hardly anyone ever unsubscribes from the service, and people tell me all the time how fantastic the service is.

Of course, sustainability is everything. This is what enables us to make new texts available, material that would be otherwise unavailable, and to inspire the creation of new works. Already we've published some stunning books by Daniel Cloud, Wendy McElroy, and Hans Hoppe. Long term, I see this model or something like this as the vehicle for reinventing the delivery of serious ideas. I've always believed that commerce is the font of all creative things. It is no less true in the world of libertarian ideas. We are taking a leap of faith here, but markets are friendly to those who take such risks with a rational plan.

Daily Bell: You compiled an annotated bibliography of the works of Henry Hazlitt, entitled *Henry Hazlitt: Giant of Liberty*, which is now in print. Tell us about Hazlitt and why you admire him.

Jeffrey Tucker: Wow, that was ages ago but, yes, he is a hero of mine. I was able to look through the notes he took on books he was reading as a teenager. Spinoza, Nietzsche, Wilde, Mill—it was amazing. Thinking was his work in those years. In fact, he wrote a book, his first book, on how to think. It's a great work and still holds up after all these years.

Hazlitt was a classic case of a true American liberal. He was right with the times in the 1920s, reading all the latest literature and reviewing the books for big-time journalism in New York. He ran with the smart set. He was tireless, not just because he worked hard but because he never complained about his workload. To him, this is just the way life is, and life is grand! That's how Hazlitt saw things.

He got his big break when he was tapped to become the literary editor of the *Nation*. It was a great position but he naïvely thought that being liberal meant that one should be against corporatist/statist power grabs such as the New Deal. When the publication came out for the New Deal, he bailed out and went to work as the successor to H. L. Mencken at *American Mercury*.

So on it went throughout his life. He never really changed his opinions. They only became more developed over time. He became the leading champion of Ludwig von Mises in the United States. Without his reviews and promotions in the *New York Times*, history for Mises would have been very different.

Hazlitt was independent, sweet, aristocratic, self-made, incredibly talented and brilliant, objective and hard working and never once in his entire life did he go for the cheap shot. He knew that thinking and writing was serious business and he conducted himself this way. He was surrounded by bureaucrats in all of his jobs but he never paid any attention to them. He just moved on when he found that he couldn't write what was true.

Of course, his literary legacy lives on in a gigantic way. He might still remain the most influential economist through his *Economics in One Lesson*. It was his least favorite of all his books! This is a good example of how authors can't really know for sure what the results of their writing will be. Same goes for artists and composers. Ultimately, no one controls one's own legacy. I wrote the preface for the *Laissez Faire* edition of this work, and this is an incredible honor for me.

Daily Bell: You are known for your witty and surprisingly insightful articles posted at Mises.org, LewRockwell.com and LFB.org. Give us some samples and why you thought to write them.

Jeffrey Tucker: Well, I've often written about seemingly small things that really matter in people's lives, things like faucets, lawnmowers, movies, showers, soap, smartphones, food, and other things we live with day to day. Most of the big lessons are best taught through small examples that people can understand—examples that I can understand. I used to be shy about how seemingly trivial my subject matter really is. But at some point I just thought: to heck with it; I'm just going to be myself. Plus, I'm pretty sure that readers connect better with things they live and experience themselves.

I write mostly so that I will stop obsessing about a topic. Something confronts me as a puzzle and I try to figure it out in light of what I know. It is typical for me to become possessed by the problem or idea for a matter of days, though it can be just hours. I'm bugged by it until I can write about it. Then I sit down and get it out of my system to leave room for new thoughts.

I hardly even think about the articles I write after I write them. I've re-read things I wrote last week and barely recognize the prose and thought process. I don't know why my brain works this way, and it is probably a huge failing. It is certainly why I will never be able to write a systematic manifesto. But whatever: we have to go with the equipment we have.

It always interests me that people find me a funny writer and a funny speaker. I don't think of myself that way at all. What I am is open and honest about what I'm thinking, and that probably comes across as a bit obsessive and then people find that puzzling and funny. Also, life is just amusing to me. Can't help it.

I've had so many people come to me over the years and say that my work is the stuff that they give to people who are unconvinced of the case for liberty, and that my writing does the necessary work to roll people into a worldview. That pleases me so much to hear this. I really seek to show that liberty is real, practical, applicable, and that examples of this are all around us. My only job is to draw attention to the reality that we too often overlook. Nothing more.

In other words, I don't think you need to take recourse to the works of J. B. Say, William Sumner, or even Hayek, to understand human freedom. The case for it is all around us. I find it in everyday things. Even a simple conversation with a stranger can intrigue me because it takes place in a context of micro-anarchy and yet results in a form of wealth creation. I somehow never tire of noticing this and reflecting on its meaning.

Of course, people should read Say, Sumner, and Hayek but I will say this: I never really got what Hayek was talking about until one strange evening in São Paulo, Brazil, when I looked out over the city and thought, no one could design something this complex and extended. Then it hit me, finally, after many years, what Hayek was really talking about. I need examples and I need time for ideas to penetrate. A good example is the review I just wrote of the new *Batman* movie. It took me three weeks and two viewings to finally crack the code on that thing. But I'm very pleased about the article that resulted.

Daily Bell: You are a convert to Roman Catholicism. Tell us about that.

Jeffrey Tucker: Well, I went through some years as an indifferent skeptic but the beauty of the Catholic faith finally snagged me. Every time I tell

the story, it comes out differently so, really, I don't think anyone really knows why he or she takes these steps toward faith. Most conversion stories are inventions. All I really know is that it took several years but at some point I decided I would rather be inside than outside. There are things that captivate me about the faith. I'm drawn to its long history, its bracing honesty about human affairs, the intricacy of its theological convictions, the peculiar sociology of its structure and law. And it is no surprise that I'm in love with its musical heritage.

Daily Bell: You are managing editor of *Sacred Music*. Tell us about that.

Jeffrey Tucker: This journal specializes in two areas: the chanted prayers of the first millennium of the Roman Rite and the polyphonic tradition of the second millennium, which I think of as the perfect music for anarchists because there are no masters or slaves. This type of music is one of my longer-lasting obsessions and I can't stop talking and writing about it. Most people who are reading this interview don't know that I write a weekly column on music that is published by the *Wanderer*, the oldest Catholic periodical in the United States. Some people say that I write the same column every week, but it is not true. I write on the same topic, but some people find the topic itself rather repetitive. For my part, I see my job as finding endless variations on a theme.

Daily Bell: You are also a high-profile member of the "Reform of the Reform" movement. What's that?

Jeffrey Tucker: Hilarious question! You can't really possibly care about this stuff! But still, I will answer. About seven years after the close of the Second Vatican Council, some hamhanded managers tried to apply human rationality to reforming what was the organic product of two thousand years of tradition, and they made a real mess of things. The R2 movement is simply seeking to repair the work of these people, giving people back something more real and authentic and connected to tradition. I do think there is a link here to my economic-political anarchism—the belief that society manages itself without central planners—but it would be tedious to spell it all out.

Daily Bell: Tell us about your latest book, *A Jetsons World: Private Miracles and Public Crimes*, and your forthcoming book, *A Beautiful Anarchy*.

Jeffrey Tucker: *Jetsons* tries to draw attention to the meaning of the digital revolution and how little we appreciate what it has done for us.

I contrast this with the way the state is demolishing the physical world with its regulations, controls, mandates, taxes, and money manipulations. We used to be called the developed world. Thanks to government, we should be called the regressing world. All regulations inhibit entrepreneurship and block future development. They presume knowledge that the government doesn't have.

As a result of all the central planning, nothing works right anymore, and I don't believe this is the unintended result of regulation. This is the intended result. The ethos of government control has changed. They used to try to bring us material progress. Now they just want us to suffer. Our toilets are broken. Our appliances are terrible. Everything falls apart thanks to environmental controls. Our water is tepid, our paint discolors, and even makeup is degraded. Regulations are wrecking the world, and hardly anyone knows about this much less discerns the cause.

On the other end, the digital world is a world of amazing progress. And why? Because it is relatively free of the grip of the leviathan state. This is where I place my hopes.

So while *Jetsons* focuses on all the cool stuff and the logic of the digital world, *A Beautiful Anarchy* is really a hymn to progress, and a celebration of how technology has empowered individuals to overcome the controls placed on us. We can now create and recreate our own civilizations in the digital realm. It tries to draw attention to the sheer beauty of the uncertain future in a realm of liberty. This is the point of my new book.

The chapter I'm most happy with is the one that gives the sternest warning. It is called "How to Think Like a State." I argue that the state is not only about coercion and compulsion; it is also about fundamental errors in thought. We can replicate those in our lives and make a real mess of things, whether in our careers, families, or people we manage. The state fundamentally misunderstands the nature of the world. I try to ferret out those misunderstandings and delineate them as a means to a better understanding of how to think like a free person.

Daily Bell: It is ironic, isn't it, that the libertarian community argues about the practicality of anarchy when the Internet is a powerful example of anarchy in action. What's left to argue about?

Jeffrey Tucker: True enough! Anarchy is all around us. Without it, our world would fall apart. All progress is due to it. All order extends from it. All

blessed things that rise above the state of nature are owed to it. The human race thrives only because of the lack of control, not because of it. I'm saying that we need ever more absence of control to make the world a more beautiful place. It is a paradox that we must forever explain.

Daily Bell: Give us some background on your theory of intellectual property.

Jeffrey Tucker: Well, it is an area that Austrians mostly overlooked in the past but that is for a reason. The digital age had not yet arrived so there was no need for a focus on this. We didn't need a rich theory of central banking before there were central banks so it makes sense that this would be a hole in the Austrian edifice.

But all that changed with Stephan Kinsella's writing. It took me six years to go from thinking that his theories were absurd to realizing that he was not only correct but that his theory had profound implications that extend beyond their obvious application to copyright and patent. His outlook implies a whole theory of learning in markets and society, and here is where I think there is a real deficiency in the Austrian literature. Market forces are not just about cooperation and competition but also emulation: copying successful behaviors and avoiding unsuccessful ones. Without that accumulation of copyable knowledge of the past, we would be starting over at square one every day. That knowledge is part of the capital stock of society.

I've argued that every capitalist act includes a communist giveaway to go along with it: capitalists give up a substantial portion of their secret to success when they market and sell. They necessarily invite competitors. They have to. That's because of the nature of information as a nonscarce good, a good of timeless and infinite value. Without information, capitalism cannot work and yet information is necessarily part of the commons once it is made public. Every capitalist is a massive contributor to the common stock of knowledge capital. I don't think this point has really been reflected upon enough. In any case, once you understand this point, the rest of the theory of intellectual property makes sense.

Daily Bell: Where do you differ with Stephan Kinsella?

Jeffrey Tucker: I think he might be more hardcore than I am on some issues regarding IP. I'm a bit more sympathetic with private attempts to restrict information flows, and he tends to see all IP-style complaints as pathetic whining. But I'm not sure about this really. I suspect

that we pretty much agree on almost all things. Mainly we are good partners in learning from each other. It's a special relationship in that way. By the way, everyone in the world of ideas has colleagues from whom he or she learns. Kinsella is one of mine. I have others, and Douglas French, whom you have also interviewed, is another one, but there are so many more too.

Daily Bell: Since we find all this theorizing a bit above our pay grade, we came up with our own theory of intellectual property. If you want to enforce your claims, you go ahead and pay for it. Once the government is out of the business of enforcing copyright wouldn't that pretty much be the end of it?

Jeffrey Tucker: You are mostly right but there are some people who imagine that copyright and patent could be reinvented by the market if the government got out of the business. This makes absolutely no sense whatsoever. The very essence of patent and copyright is that they interfere with the property rights of third parties. It's not just that I can't copy from you; it's that no one else in the world is permitted to come up with the same idea. IP forcibly privatizes the commons and coerces everyone else. Your rights are being interfered with. It should go without saying that markets do not have a system for licitly violating the property rights of everyone in the world. So this view that something like IP would exist in market freedom profoundly misunderstands the point of IP.

But you are right that if you can find the means to restrict your information, and do it privately, that's great. Nothing wrong with technological means and market means of keeping information proprietary. But as Benjamin Tucker used to say, the only sure way to keep information to yourself is to never let it leave your brain.

Many people are still on the sidelines as regards this issue. This is completely irresponsible. IP is the path that the state is taking to destroy the Internet and thereby the digital age and the future. This is extremely dangerous stuff. And it is being done in the name of enforcing property rights. That any believer in liberty would decide to sit this one out is really telling. I know that this subject is hard and requires some rethinking of fundamental issues, and might even require people to read something and master the details of actual reality but we have to take it on and fast.

Daily Bell: We are great believers in natural law and what we call private law. Do we really need elegant concepts of law or do we simply need to get government out of the business of enforcing law?

Jeffrey Tucker: Well, I think you answer your own question here. Libertarians too often get caught up in trying to centrally plan their own imagined utopias. It's enough to just get power itself out of the equation and then watch the world reinvent itself. Markets always come up with things that are more wonderful than what individual rationality alone can invent.

Daily Bell: We tend to believe that private law is natural law. Any comment on that?

Jeffrey Tucker: There's a lot packed into those terms but in general I would not disagree. Even Mises, the prototype of the utilitarian, made reference to human nature.

Daily Bell: We are big believers in vendettas, duels, etc., believing these were ancient forms of jurisprudence that were far more discussed than practiced. In other words, private justice used physical fear to induce people to sit down and talk to one another to come to a resolution. Your thoughts?

Jeffrey Tucker: That's funny! I suppose that duels are better than wars. No disagreement with that. Too bad Bush and Saddam didn't just draw pistols. But my temperament is of a nineteenth-century liberal. They all celebrated the end of the age of the vendetta and the duel—and, of course, they had no idea that the age of total war was right around the corner! Still, I abhor violence and (naïvely) hope for a world in which people find ways to get along. Commerce tends to bury conflict and grudges. This is its major contribution to world peace and human relationships.

Daily Bell: We don't believe in British common law, but in pre-British common law, the laws of tribes and clans that were mostly natural law became canon. Your thoughts?

Jeffrey Tucker: Much of this is determined by technology. When you could only talk to people in your geographic vicinity, tribes make sense. Today we can communicate with anyone instantly the world over so

our tribes are of our own making. This is what I call creating your own civilization. I'm very grateful to live in these times because I don't like insularity and isolation. These things breed conflict and hatred.

Daily Bell: Any final thoughts on copyright? Where do you stand on the Kim Dotcom mess?

Jeffrey Tucker: This case is an incredible outrage and proof that the US is the evil empire. File sharing is the whole point of the Internet. The digital puts the infinite reproducibility of information to productive use in the most marvelous way. The state, meanwhile, is trying to end the digital age to an extent that it is body-bagging websites and trying to stop file sharing. It is extremely dangerous. I notice, by the way, that the streaming industry is going stronger than ever and that the shutdown of Mr. Dotcom made absolutely no difference in this regard.

Daily Bell: Let's ask you some financial questions. We'll start off with a quick trip around the world. What's going on in Europe? Is the euro viable? The EU?

Jeffrey Tucker: I follow Philipp Bagus on this. The EU and the euro are institutions that embed a moral hazard. You can't have real national unity without abolishing nations. Nations aren't going away anytime soon, so, no, these artificial attempts to cobble together new forms of government and currency cannot work. So far as I can see, Europe is sunk. It would take radical decentralization, debt repudiation, abolition of welfare states, and the wholesale restoration of sound money to bring Europe back. That's not likely to happen.

Daily Bell: How about the BRICS? Russia? India? Brazil? Give us an update on China. . . .

Jeffrey Tucker: China's transformation is a stunning achievement, historic by any standard. And while there are surely going to be bumps ahead, I foresee remarkable things for the future here. As for Russia, here again is a nation held in captivity for so long. The relative freedom of today is going to continue to surprise us. People always underestimate the power of the human imagination once it is free of authority. As for Brazil, I was so honored to be invited to spend a week with the Mises Institute of Brazil and I was completely astonished at how fantastic a people and a country this truly is. If the government loosens its grip, wonderful things can happen.

My interest in seeing continued growth and prosperity around the world is also selfish. I want to see the US empire shut down and for this country to become normal again. We are going to have to be outdone economically for that to happen. Fortunately, we only need to wait a few years to see this happen.

Daily Bell: Is America in a Greater Depression?

Jeffrey Tucker: It is in a seemingly permanent stagnation, and it didn't begin in 2008. It's been going on since 1972 or thereabouts. We've been getting poorer this entire time and this is obvious once you look at the long-range data. But I tell you, young people today are just panicked. I receive calls all the time from young people who are feeling desperate to get out of the country. I urge them to do so. That means: don't buy a house, don't take a dead-end job, don't rack up debt, don't count on your credentials to save you, and don't get dependent on some institution from which they can't get away. Leave the country while you can and enjoy the adventure. You can always come back when it is safe again. I personally think people in their twenties who stick around are selling themselves short.

Daily Bell: What do you make of the resurgence of paper-money advocates . . . Greenbackers? Georgists? Social Credit?

Jeffrey Tucker: I don't know about a resurgence, really. These people have always been with us. They are money cranks and they will never go away. I suppose they are mostly harmless, unless they manage to waste your time in some debate in which they will never concede defeat.

Daily Bell: Would Mitt Romney make a better president than Barack Obama?

Jeffrey Tucker: One never knows about politicians. People running for public office can and do say anything and what they say or do to get elected can have little or nothing to do with what actually happens when they get in office. These people only serve as the veneer for a deeper problem in public life that hardly anyone talks about. The actual government has very little to do with elections. Elections are just a giant moneymaking scheme. The actual state consists of unelected officers who are busy carrying out the wishes of politicians long out of office.

The business of government consists of enforcing regulations and rules that can date back a century or more and these are hardly ever touched by the current crop of elected administrators. For the most

part, politicians know and care nothing about the real business of government. They are too busy preening for cameras and worrying about the next election. How many people know this? Not that many. The myths of the civic religion are very sticky. I wish people would just stop showing up at political events.

Daily Bell: Does it matter who wins?

Jeffrey Tucker: Maybe, on the margin, but I'm not even sure about that. Counterfactuals are impossible in the social and political world. In other words, we will never really know whether we would have been better or worse off if this or that guy had won instead of lost. Lots of times we attribute trends and changes to politicians when really they are just along for the ride. This much I do know: No one will save us. We have to save ourselves.

Daily Bell: What's your postmortem on Ron Paul?

Jeffrey Tucker: I hope the people who were inspired by him now find productive things to do. They should start businesses, go to work in regular jobs, move abroad and do something wonderful, pursue graduate school, take up music or dance . . . anything but get involved in more political organizing. Politics leads to despair and does nothing to feed the soul. My fear is that the movement gave people a taste for politics and some will decide to make it their lives.

Politics is a dirty business, a ruse, an ideological cul-de-sac, a vast looter of intellectual and financial resources, a lie that corrupts, a deceiver, a means of unleashing vast evil in the world of the most unexpected and undetected sort and the greatest diverter of human productivity ever concocted by those who do not believe in authentic social and economic progress.

Daily Bell: What's going on with Rand Paul? Is he attacking reporters?

Jeffrey Tucker: I haven't really kept up but it seems clear that he is more politically ambitious than his father. His newest book, however, seems to touch on some themes that are important to me so I look forward to reading it. But, as I say, I mostly find politics to be a distraction from the real business of building liberty. You have to build liberty to possess it.

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Interview with *Tejarat-e-Farda*, a newsweekly with a large circulation in Iran and throughout the Middle East.

Q: What do you think about current alternative social movements in American society? How popular are movements such as anarchocapitalists, left-wing anarchists, radical liberals, etc., among American people? How do you see future of these movements?

Tucker: Americans have never been a very compliant people. It takes a huge national emergency to inspire Americans toward conformity and obedience, like a war or depression or actual attack of some sort. Politicians and government agents love these events because the population becomes dependent on the state. Even then, it doesn't last long. The delightful chaos of American culture returns as soon as the emergency is over.

We have to remember that this country had a long history that culminated in revolution long before the Constitution was imposed in 1789. This was a history of alternative social movements, as you describe. The Internet has unleashed these as never before, and allowed them to develop regardless of geography. The result is a massive flourishing of microcivilizations that are deepening and broadening. Some people who long for "national greatness" decry this tendency as dangerous. I see it as the flourishing of freedom.

The more these alternative social movements grow, the more difficult the exercise of the imperial impulse becomes. Empire thrives on unity. Freedom is unleashed by disunity, which in turn is enabled by decentralized sources of knowledge distribution. The communication monopoly has been completely shattered by digital media, so now people can get their news from anywhere and communicate with anyone. So too with the education monopoly. Even the money monopoly of the central state has stopped functioning as it once did, which is inspiring new movements toward alternative banking and payment systems.

Q: How far you see possibility of formation of a robust libertarian movement in Middle Eastern societies like Iran?

Tucker: The longing for freedom is universal because it is built into the fabric of who we are as individuals. So the answer is absolutely yes. No one wants to live in a cage. Every person on the planet is a dissenter in his own mind. The libertarian intellectual project really amounts to raising consciousness concerning the expansion of the state and its direct relationship to the loss of freedom. Another thing: everyone in the world practices freedom at some level in their economic lives. That's true even under highly controlled systems. We need only reflect on the structures around us that make our lives better and expand those structures to the whole of society. That is true in the United States, in China, Iran, and everywhere at all times and places.

Q: What are the impacts of Obama's foreign policies on prestige of USA as a superpower throughout world? As a libertarian, you are opposed with foreign policy of both Democrat and Republican parties. What kind of foreign policy a libertarian activist offers as alternative?

Tucker: The right way forward is maximum engagement of all individuals with the world and the containment of governments within their own borders. The nation-state is an anachronism, a dying relic of an analog age when people from all over the world couldn't communicate as colleagues. Today, thanks to technology, all people in the world are discovering that we have more in common with each other than any of us has with our governments. This raises the possibility of new forms of relationships that grow and deepen to the point that nation-states all over the world essentially lack a loyal constituency. War will become less possible under these conditions. Peace is the first condition of progress and development.

Q: How do you think about sanctions USA, UN, and EU impose on countries like Iran? Are these sanctions really effective? Who suffers more from these sanctions? Governments or people?

Tucker: There is not a shred of evidence that sanctions accomplish their stated aims. They don't reform governments. They end up entrenching dictators. Despots love to blame foreigners for their problems. When foreign nations do aggressive things like impose trade sanctions, domestic rulers blame them for the problems that exist at home. In other words, sanctions harm people. There are no exceptions to this

rule. The more trade, the better. Trade brings peace, protects against conflict, and bolsters the power of the people against government. A government that imposes sanctions is most likely seeking conflict. US sanctions against foreign powers are a prelude to war. We have a hundred years of examples to show the truth of that.

Q: What are the impacts of Obama's economic policies on US and global economy? What are its impacts on different classes of society?

Tucker: I'm pretty much against the policies of every president, including this one. As to whether Obama is worse or better than the alternatives, it is hard to say. I do know that part of his appeal to the American public was the perception that he was more pro-peace than the Republican alternative. That might be true. In fact, it is most certainly true. But that doesn't mean that Obama is ideal. His drone policy is ghastly and it is starting a global proliferation of drones. His sanctions are terrible. His continued war policies and occupations in Iraq, Afghanistan, and other countries are not helping anyone. He is not considered to be a warmonger mainly because his fiercest critics are even worse.

As for his economic policies, they have been unusually bad even by standards of US presidents. We had this financial and housing bubble that burst in 2008, and the Obama administration has been using economic witchcraft to deal with it. His spending and monetary policies have only entrenched the stagnation and set us up for a greater crash down the line. The entrenched elites have benefited but not the middle class that he claims to love. Household income is still falling and unemployment is persistent. It's absolutely incredible that at the start of this year, the Republicans and Democrats, the president and the Congress, all got together and enacted a huge tax increase. In a recession!

Unlike markets, which specialize in improving and learning, governments are deeply ignorant institutions that pride themselves in repeating bad and stupid policies forever, and never ever admitting that they are wrong. Probably every citizen of the world observes that about his or her own government. There is a pattern here! The reform of the world order needs to observe that pattern and act on it.

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About the Author

JEFFREY TUCKER is founder and CEO of Liberty.me, distinguished fellow of the Foundation for Economic Education, executive editor of Laissez Faire Books, and research fellow of the Acton Institute. He is the founder of the CryptoCurrency Conference, serves as economic consultant to Let's Talk Bitcoin, and writes a fortnightly column for the *Freeman* and *Crisis Magazine*. He is author of *Bourbon for Breakfast*, *It's a Jetsons World*, and *A Beautiful Anarchy*, and thousands of articles, introductions, and prefaces. Following his fifteen years as editor and builder of the website Mises.org, he now works on building Liberty.me as a social network and publishing platform for liberty-minded individuals.