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"Building an Unlimited Future"

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Preview: *We live, as Dr. Barry Asmus points out in this issue, in an age in which brains are replacing BTUs, an age in which technology has brought greater freedom and economic opportunity for all. Its hallmarks are decentralization of authority and vastly improved efficiency, especially in our use and discovery of new resources. The race is on. Economic competition is replacing political confrontation. Dr. Asmus argues that, as global markets open and grow, the opportunities are unlimited. But we must resist socialism's latest manifestation in the West: anti-growth, anti people radical environmentalism.*

Perhaps you have heard the story of Albert Einstein's arrival at Heaven's gate. There, he was informed that his quarters were not ready and that he would have to live with three roommates.

The first of these introduced himself by saying that he had an I.Q. of 180. Einstein was delighted, and assured the fellow that they would have a wonderful time discussing the theory of relativity.

The second roommate was quick to boast that he had an I.Q. of 120. Einstein replied, "Terrific. We can discuss the quantum theory of mechanics and examine some mathematical equations."

The third roommate was sheepish when he admitted that his I.Q. was only 80.

Einstein paused, gave him a long look, and asked, "Where do you think interest rates will be going this year?"

Economists, like the unfortunate fellow in this tale, are asked that question more than any other. And no matter what their I.Q., they simply don't know; if they did, they'd be millionaires. But that doesn't stop them from trying to come up with the answer, usually



qualified by a lot of "what ifs" and "on the other hand" negativism. They are seemingly transfixed by a vision of limited wealth, limited growth, and a limited future.

Even the record-breaking 1983-1990 business expansion, which saw America's GNP increase by one-third and twenty million new jobs created, was not enough to infuse the economics profession with any enthusiasm. Always assuming the worst, economists have predicted eight of the last three recessions.

The press is also full of doomsday notices. Journalists seem blissfully unaware of the fact that, recession or no, the U.S. is enjoying unparalleled prosperity. If Thomas Edison had invented the light bulb in 1992, all of the major news networks would report on its

alleged health and safety risks, and, as more than one observer has wryly remarked, banner newspaper headlines would scream, "Tragedy strikes the candle industry!"

Again, this kind of pessimism can be traced to a vision of a limited future. In one of the most important books of the 1980s, *Conflict of Visions*, Hoover Institution scholar Tom Sowell describes a vision as "what we sense or feel *before* we have constructed any systematic reasoning that could be called a theory, much less deduced any specific consequences as hypothesis to be tested against evidence...Visions are the foundations on which theories are built."

Visions stir people: "All men have certain inalienable rights, among which are life, liberty and the pursuit of happiness." These words of Thomas Jefferson are certainly among the most powerful ever written about the political life of mankind.

Visions are about imagination. Martin Luther King said, "I have a dream!" Praise him, or condemn him, but who is not moved by the vision of equality of opportunity he was describing?

Visions are often messages that touch the heart. Upon rededicating the Statue of Liberty in 1986, Ronald Reagan said, "The poet called Miss Liberty 'the lamp beside the golden door.' In this springtime of hope, some lights seem eternal. America's is." When asked what helped

the nation recover its sense of pride, the President asserted, "The American people brought us back with quiet courage and common sense; with undying faith that in this nation under God the future will be ours; for the future belongs to the free."

Visions of the future, limited or unlimited, are built on foundational ideas. As we embrace the last decade of the 20th century, we should look at three such visions and their foundational ideas.

The "Red Brick" Vision of Socialism

Columbia University professor of political science Seweryn Bisler attested in 1983: "The Soviet Union is not now nor will it be during the next decade in the throes of a systemic crisis, for it boasts enormous unused reserves of political and social stability that suffice to endure the deepest difficulties." Harvard professor John Kenneth Galbraith added in 1984: "The Soviet economy has made great national progress in recent years." Nobel laureate and MIT economist Paul Samuelson stated in 1987: "It is a vulgar mistake to think that most people in Eastern Europe are miserable." And MIT business school dean and popular TV personality Lester Thurow intoned in 1989:

"Can economic command significantly compress and accelerate the growth process? The remarkable performance of the Soviet Union suggests that it can. In 1920, Russia was but a minor figure in the economic councils of the world. Today it is a country whose economic achievements bear comparison with those of the United States."

Ed Hewitt is a former Brookings Institution scholar and current special assistant to President Bush for national security and senior director for Soviet affairs. He predicted in his 1988 book, *Reforming the Soviet Economy*:

"To be sure, real income growth rates [in the Soviet Union] are falling, but they are falling from a high level, and the general downward trend is similar to one observed throughout the world. Even in recent years per capita personal incomes have been growing between two and three percent, which is quite respectable by world standards."

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On unemployment, he writes:

"If the Soviet Central Administration was to collect and publish unemployment statistics in a fashion similar to that in the United States, the rate of unemployment would come out under two percent for the mid-1980s. Western countries, particularly Western workers, can only envy a society with such a consistently low level of unemployment."

And on income:

"The economic security provided in the USSR today is only partly a result of the high demand for labor and the low level of unemployment. It relates to certainty concerning the worth of income in real terms, which is much higher in the Soviet Union than in Western countries."

How was the average Soviet citizen doing, according to Dr. Hewitt?

"It would appear that the population's considerable patience with the chronic low quality of Soviet goods and services is eroding. Largely, this is simply an indicator of the success of the system in raising living standards. In 1960 almost one out of every two Soviet families owned a radio, about one out of ten a TV, one out of three a sewing machine, and one out of twenty-five a refrigerator. In 1984 there was one radio and one TV for every Soviet family, two sewing machines for every three, and one refrigerator for every family. These few figures illustrate the important general point that Soviet consumers are now much closer than they were a century ago to having their basic needs satisfied...."

It is obvious that the "red brick" vision of socialism in the Soviet Union, which "bears comparison with the United States" and "offers enormous political and social stability" and employment opportunities that Western workers "can only envy," has in truth been a delusion, a delusion moreover that has been carefully nurtured and widely spread by our own economists.

Journalists have done their share of nurturing and spreading too. On June 17, 1987, CBS anchor Dan Rather commented on the evening news, "Despite what many Americans think, most Soviets do not yearn for capitalism or Western-style democracy." Another seasoned journalist who puts his personal and political opinions before the facts is Mike Wallace. On February 11, 1990, he told his "60 Minutes" viewers, "Many Soviets viewing the current chaos and national unrest under Gorbachev look back almost longingly to the era of brutal order under Stalin."

Thankfully, neither the "red brick" economists and journalists nor the politburo has prevailed. The conscious attempt to put a happy face on communism *has*, under the glorious light of recent events, been exposed. A sad, bizarre chapter in human history passed right beneath their noses and they missed it. "We will bury you," bragged arch-communist Nikita Khrushchev. Many in the West were willing to believe him. But such words ring hollow today as the gravediggers prepare the crypt for the burial of "the evil empire."

Communism's environmental record is a perfect symbol of its utter failure. With the opening of communist nations to the Western world, we are finally able to confirm the horror stories of environmental devastation. Sooty, crumbling cities, polluted streams, poisoned lakes and barren land that was once heavily forested are only the first physical impressions. Meeting the malformed children in remote villages near "chemical testing" areas, the cancer victims, and the Chernobyl residents leaves a mental impression that is even more tragic.

Leaving aside the unforgivable, intentional radiation and chemical hazards visited on its citizens, in the *Wealth of Nations and the Environment*, Mikhail Bernstam demonstrates that communist countries *always* produce higher levels of pollution. Because they are so inefficient, their socialist economies necessarily use more resources and emit more pollutants to produce a given amount of goods and services. Take energy use:

- Although their per capita GNP is only forty percent as much, the per capita use of energy in socialist economies is at least as high if not higher than in market economies.
- Per dollar of GNP, socialist economies use nearly three times as much energy as market economies.

North Korea consumes seventy percent more energy per person and three times as much energy per dollar of GNP as South Korea. Former East Germany consumes forty percent more energy per person and 3.5 times as much energy per dollar of GNP as West Germany.

In the twentieth century, a remarkable divergence took place between socialist and market economies. Bernstam calls it the most important reversal in economic and environmental history since the Industrial Revolution. In market economies, there has been a steady decline in resource use per person (although the economy has kept growing) and a decline in total resource use (although the population has kept growing). For example, in the U. S. the amount of energy needed to produce a dollar of GNP (in real terms) has been declining at a rate of seven percent per year since 1929. By 1989 the amount was almost

half of what it was sixty years earlier. Since the 1970s there has also been a steady decline in energy used per person.

The message is clear: The vision of centralized planning and state ownership cannot compete with the free market. It has, in fact, failed completely on both economic and environmental grounds. The statist must find another way. And they have.

The "Green Brick" Vision of Socialism

Though communist parties have been discredited and overthrown in Eastern Europe and the Soviet Union, the fundamental forces of state intervention and central planning have not disappeared. Another movement is afoot: radical environmentalism. Note: I am not referring to any ordinary and laudable sort of environmentalism that calls for proper stewardship on earth, but something far different. I will let its proponents' own words describe it in a moment. But it is not just a fringe movement as the word "radical" implies; it has gained more credibility and power in the last two decades than any other movement. To give you some idea of its size, a recent issue of *Forbes* reports that a single organization, Greenpeace, has five million members and annual revenues of over \$150 million.

Energy policy is most often at the heart of the "green" debate and the point of contention with all kinds of environmentalists. The combustion of hydrocarbons is, after all, the main source of air pollution. In addition, most of the hazardous waste and toxic substances are produced by the fossil fuel industry. But the trouble is, long after communism and socialism are laid to rest, radical environmentalists will find reasons to argue for more government and will use energy and environmental policy to further their own agenda.

For decades there has been a recurrent theme in radical environmentalism. Every problem is a "crisis," and every crisis demands immediate governmental action. In truth, the one consistent thread running through every perceived threat is that the more each is examined, the less there is to fear. But, as Competitive Enterprise Institute environmental director Kent Jeffreys has noted, by the time the facts are marshalled and accurately presented in rebuttal, government policy is already set, and the public is under bombardment by the next media campaign.

Even totally benign energy sources are a threat to radical environmentalists. Cold fusion is still in the theoretical stages of development, but once available will offer unlimited energy with *no* adverse environmental effects. For most people, this would be a dream come true. But for Paul Ehrlich, Stanford biologist and author of *the*

Population Bomb, "cold fusion would be like giving a machine gun to an idiot child." Jeremy Rifkin, president of the Foundation on Economic Trends and the Greenhouse Crisis Foundation, states, "It is the worst thing that could happen to our planet." Even energy that is clean and free is not good enough.

An already crowded "Spaceship Earth" cannot bear the load of more growth, say the doomsayers. Consider, for example, John Todd, an environmental biologist who discovered a way to mix the toxic sludge that comes out of sewage treatment plants with microbes that metabolize it and produce clean water. Rather than applauding Todd's innovative solution, many of his environmentalist friends stopped speaking to him, "By discovering a solution to a man-made offense," reports journalist Greg Easterbrook, Todd "takes away an argument against growth." *People* are the problem.

"Though communist parties have been discredited and overthrown in Eastern Europe and the Soviet Union, the fundamental forces of state intervention and central planning have not disappeared."

Founder of Friends of the Earth and former executive director of the Sierra Club, David Brower, suggests that "while the death of young men in war is unfortunate, it is no more serious than the touching of mountains and wilderness areas by humankind." Says Earth First co-founder and former Wilderness Society lobbyist David Foreman: "We are a cancer on nature." And coauthor of *Whatever Happened to Ecology?* Stephanie Mills describes human beings as "debased human protoplasm."

The late Barry Commoner, former Socialist Party presidential candidate, professor of plant physiology and chairman of the department of botany at Washington University, stated categorically that "capitalism is the earth's number-one enemy." In a *Progressive* article, "Death of a Small Planet," Murray Bookchin says that the "plundering of the human spirit by the marketplace is paralleled by the plundering of the earth by capital." *Small Is Beautiful* author E. F. Schumacher claims that free markets "take the sacredness out of life, because there can be nothing sacred in something that has a price."

What kind of world do these people want?

Under the slogans, "small is beautiful," "nature is better," "industry is bad," radical environmentalists often oppose man-made goods that make our world a healthier, safer, more productive place in which to live.

Free market environmentalist Richard Stroup notes that ideally for Rudolf Bahro, founding member and theoretician of the German green movement, people should live in

socialist communities of no more than 3,000, consuming only what they produce and rarely trading with other communities. There should be no mechanized transportation, no computers—virtually no modern technology at all.

Many of Bahro's peers in the American green movement are very specific about the things *they* think people should do without. These include 747 airplanes (Jeremy Rifkin), automobiles (Kirkpatrick Sale), eyeglasses (Joan McIntyre), private washing machines (Murray Bookchin), tailored clothing (E. F. Schumacher). Others would prohibit telephones, vaccines, pesticides, and hospitals. Quite simply, they are against economic growth, free markets and technology, and they attempt to get their way, of course, by imposing on an unwary populace the coercive arm of government. Schumacher's book, *Small Is Beautiful*, for example, is filled with words like

force, constrain, legislate, command, exact, require, cause, pressure, entice, direct, summon, and, oh yes, lax.

The "green brick" vision of socialism is so pervasive that it is already *the* dominant influence upon U.S. energy policy. The Johnston-Wallop legislation pushed by many Democrats on a least-cost energy strategy states: "The strategy is to outline policies and assign priorities among the energy resources that the Secretary [of Energy] determines to be the most cost-effective, taking into consideration the impact of the production and use of these energy resources on *global climate change* and the economic, energy, social and environmental consequences" (emphasis mine). The political recognition paid to the global climate change theory, although increasingly debunked by the scientific world, will continue to dictate energy legislation and encourage increasing government control.

Environmentalists warned, on Earth Day 1970, of a new ice age. Today, looking at the same data, they are sounding the alarm about global warming. Though the surface temperature of the planet has gone up about one degree during the last century, most of the increase occurred before 1940. Global warming should be called "computer warming," since most predictions are based on highly suspect computer models, not hard facts.

Environmental demagogues and power-grabbing politicians will be all too happy to enact new laws that seize control of our lives and threaten our freedoms. But the

"green brick" vision of socialism will eventually crack. An anti-human, anti-science, anti-technology, anti-free market agenda is simply the wrong premise upon which to base any vision of the future.

U. S. Firms Tear Down "Red Brick" Centralization

Meanwhile, there is some immediate good news in the U.S. American firms are finally realizing that a set of written rules and company procedures passed through a hierarchy of managers is inefficient. Command and control structures do not work with countries or companies. If there is one economic lesson we should learn after the fall of the Berlin Wall, it is that socialists could not make socialism work and neither can capitalists.

Realizing that tall, rigid, hierarchical structures of decisionmaking are too slow and cumbersome, successful companies are making a major change: they are decentralizing. Customer-oriented American firms are remaking themselves into fast-changing, flexible, adaptable organisms. Caught in the vortex of change and competition, corporate bureaucracy is being dismantled. Management is getting tough on its competition and easy on its people. Self-managing work teams are empowered through employee involvement in decisionmaking. Everyone is given an opportunity to improve the process by putting responsibility and authority into everybody's hands. It is a way of thinking that focuses first on people, then on organizations, then on things. If the customer is king, then the employees are royalty.

Work and workers are changing. Forty years ago, seventy percent of the labor force was engaged in manual work. Today, seventy percent work mostly with their minds, not their hands. In an era of "human capital," physical assets are less important than intellectual ones.

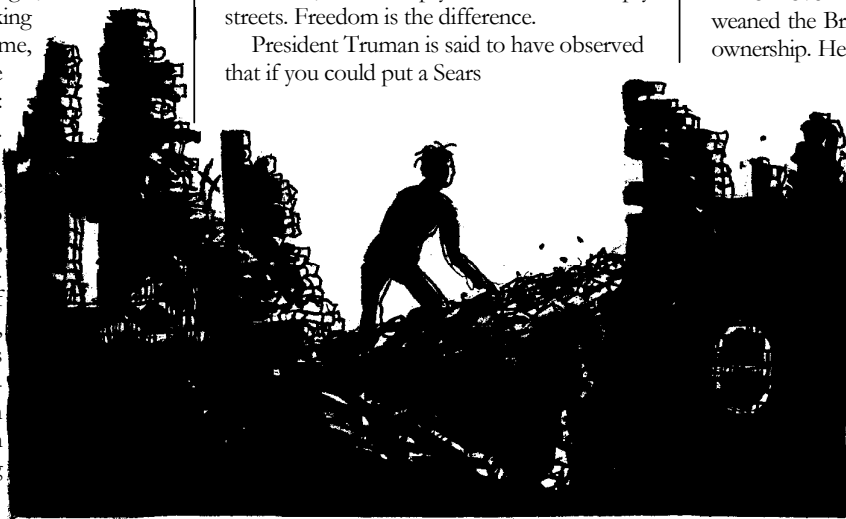
For centuries, traditional economics has held that whoever controls the world's raw materials and essential commodities controls the world. But, as Paul Pilzer writes in his book, *Unlimited Wealth*, that wealth is no longer produced by controlling scarce resources because accelerating technological development has virtually eliminated scarcity. Where once Rockefeller and Carnegie got rich by controlling existing markets (oil and steel), today Ross Perot and Sam Walton have done so

by providing products and services (data processing and automatic distribution) that did not exist before. The new economic alchemist, says Pilzer, does not find a need and attempt to fill it; he or she creates a demand by providing something newer and better.

An Alternative Vision: First Principles Over Bricks and Mortar

How then does one "mine" the mind? John Locke, Adam Smith, Thomas Jefferson, Ludwig von Mises, and Milton Friedman, to name but a few, tell us that freedom *is* the mainspring of human progress. And the fall of the Berlin Wall allows us to marvel afresh at the fabulously powerful mechanism of freedom and enlightened self-interest. While West Berlin was vibrant with economic activity, East Berlin languished, gray and drab, with empty shelves and empty streets. Freedom is the difference.

President Truman is said to have observed that if you could put a Sears



and Roebuck catalog in every home behind the Iron Curtain on Friday, by Monday communism would be finished. In a sense, that is just what the fax machine has done. Information empowers people. Governments can't fool the people any longer. In the technological age, a new set of weapons has emerged. Computers, printers, photocopiers, fax machines, and telephones are the new guns of liberty. Technology has replaced tanks. The seventy-year iron reign of the communists proved that they could control tanks, but that they could not control fax machines.

If the wealth of a nation is its people, and if freedom really is the mainspring of human progress, then surely private property is freedom's prerequisite. Economists have long known that the institutions of capitalism—common law, a court system to adjudicate disputes, property rights—have evolved along with open exchange in the market-place. No one has expressed this better than Daniel Webster: "Liberty and property. One and inseparable. Now and forever."

The concept of a society as a nexus of private arrangements that are mutually beneficial is contained in the contractual political theories of David Hume, in the concept of law as sanctioned private agreements described by Sir Edward Coke, as well as in the economic theory and policy of laissez-faire developed by Adam Smith. Much of the *Wealth of Nations* is, for example, an examination of property rights and their effect upon material progress. Gerald Scully, in his *Statism Versus Individualism and Economic Progress in Latin America*, has documented the relationship between freedom, property rights and economic progress. Free societies allow individuals to engage in mutually beneficial exchange and take full advantage of opportunities for specialization and trade. Fortunately, most of the world is coming to understand and appreciate these important relationships.

For over a decade, Margaret Thatcher weaned the British economy away from public ownership. Her policies of privatization moved one third of the government work force into the private sector, caused two million housing units to be privatized, and allowed hundreds of firms like British Telecom and Jaguar to be freed from government management. Even under a dictatorship, Chile managed to keep its privatization strategy intact for two decades. Venezuela and Colombia have instituted massive privatization, even to the extent of privatizing social security programs. In Mexico, President Salinas seems determined to follow suit.

Who would have believed a few months ago that the USSR would devolve into the UFFR (Union of Fewer and Fewer Republics), each calling for private property and free market reform? Gorbachev belatedly learned that who makes the rules is not as important as what the rules are. Rejecting private property, his perestroika hardly affected the prisonhouse of Soviet economic failures. Rules, after all, determine outcomes.

First Principles in the Marketplace

George Roche, George Gilder, F.A. Hayek, Thomas Sowell and others whom I have read in *Imprimis* over the last 20 years have convinced me that being against the market is about as useful as protesting that the sun comes up in the East and sets in the West. Fighting a natural phenomena is a waste of time and energy. The market is. While many

socialists think that they are fighting an ideology, they are in fact fighting a first principle. The market, like gravity, represents the natural order of things. Enlightened self-interest just happens. Profit-seeking is a self-organizing mechanism that emerges spontaneously from mutually beneficial relationships based on mutual profitability. Without planning or direction, the market communicates and coordinates widely dispersed knowledge for rapid adaptation to the changing circumstances of time and place. And it does so on a mindboggling scale: according to *Detroit News* columnist Warren Brookes, there are some \$500 billion in financial transactions taking place every single day.

ket, but to allow people the freedom to innovate.

Let's look again at the environment. It is for-profit technology, not regulation, that has helped us to clean up our lakes and streams and to begin to improve the quality of air in our cities. Anyone who disagrees has only to examine socialism's dismal environmental track record, or to sample Eastern Europe's dirty air or India's polluted water.

Look at poverty. It is new jobs and a prosperous economy that have helped millions of Americans better their standard of living. We have wasted billions of dollars on top-down government schemes only to learn that economic growth is the only anti-anti-poverty

flows are 50-100 times greater than trade flows. Once on the "electric highway," capital moves in microseconds to where it is wanted and undoubtedly will remain where it is well treated.

The exemplary product of the information age is, of course, the computer, and without it, the global economy would never have emerged as it did. Bradford University Professor Tom Stonier divides the Industrial Revolution into three phases. The first involved machines that extended human muscle; the second used machines that extended the human nervous system, e.g., radio, television, telephones; and the third yielded machines that extended the human brain, e.g., computers. Though the brain is limited in storing voluminous amounts of information, it is without parallel in grasping ideas and meaning. Imagine the creativity of human intelligence as it partners with a machine that can compute more in a minute than a million mathematicians in a millennia. When machines work and workers think, the ultimate competitive advantage is people. The ability to produce wealth, after all, depends on man's capacity to think.

The first principles of freedom, private property and the free market, coupled with an intellectual system driven by knowledge and technology, make obsolete the old paradigm of extraction and exhaustion of resources. The United States, for example, is producing one-third more GNP today than ten years ago, but it is consuming the same amount of oil and gas. The percentage of GNP spent on energy is, in fact, declining rapidly. And as technology has replaced the old carburetor (\$300/12 mpg) with the computerized fuel injector (\$25/22 mpg), the world's supply of gasoline has

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Even if central planners could make rational calculations, they simply cannot guess at what adjustments people will make when faced with economic problems and opportunities. Scarcity, for example, leads to reduced consumption, the discovery of substitutes, and the improvement of productivity. That is how we progressed from candles to whale oil, to petroleum, to electricity. Human beings are purposeful, goal-oriented, rational beings who act from enlightened self-interest. The government's role is not to fight that self-interest or the mar-

pro-

gram that works. Helping people to become helpless is not an act of kindness. Opportunity elevators are far more effective than safety nets.

First Principles in the Global Economy

The global economy is here. Although the political map *has* boundaries, the competitive map of financial and industrial activity does not. In the border-free world, labor and capital *are* highly mobile and are always seeking their highest and best use. Capital