

# IMPRIMIS

## "The Road to Freedom

by George Roche President, Hillsdale College

George Roche has served as president of Hillsdale College since 1971. *Firing Line*, the *Mac-*

*Neil-Lehrer News Hour*, *Today*, *Newsweek*, *Time*, *Reader's Digest* and the *Wall Street Journal* have chronicled his efforts to keep the College free from federal intrusion. Formerly the presidentially appointed chairman of the National Council on Educational Research, the director of seminars at the Foundation for Economic Education, a professor of history at the Colorado School of Mines, and a U.S.

Marine, he is the author of ten books, including five

Conservative Book Club selections, among them: *America by the Throat: The Stranglehold of Federal Bureaucracy*, *A World Without Heroes: The Modern Tragedy*, *Going Home*, and *A Reason for Living*. His most recent book is ***One by One: Preserving Freedom and Values in Heartland America***.



Preview: *In this issue of Imprimis, based on a lecture delivered at the 20th annual Ludwig von Mises Lecture Series in April 1993, Hillsdale College President George Roche contrasts the brutal reality of communism with its idealistic promises and false claims about human nature. In so doing, he makes the moral case for the free market and examines how all members of society prosper when individuals are left to make their own decisions. He concludes, "Free men know what tyrants never learn, that the ultimate economic resource is the mind and energy of a free person."*

### Morality According to Karl Marx

The biggest story of our times is this: Communism is dying. But perhaps the most striking feature of its demise is that it is *not* accompanied by much of a celebration of the triumph of capitalism in the West. You would expect countless books, articles and spokesmen proclaiming victory for the free market. You would expect a massive intellectual defense and explanation of capitalist ideas—and perhaps some crowing about how much better they are. You also would expect political leaders in the West to redouble their efforts to expand liberty. True, there has been some of each of these, but there has been no concerted effort to claim victory.

The near-silence is ominous. It is as if we had achieved great ends with evil means and ought to be ashamed rather than exultant at our success. This guilty feeling is itself a communist hangover. We should be rid of it once and for all, or Marx will have the last laugh.

Moreover, we must seek to understand the cause of the communist demise. Until we understand the cause, we will not be able to heal the frightful wounds communism leaves behind, and we will ourselves remain in peril of repeating the same mistakes.

We do know that without a doubt the economic performance of communism has been dismal everywhere it has been tried. Communism simply cannot compete with free markets. But it was not economic failure that really killed communism in Eastern Europe or the former Soviet Union or that is in the process of finishing it off in Latin America and Asia. We would be greatly mistaken if we assumed that people in closed societies only want more consumer goods. Certainly they would like more and better food, housing, clothes and appliances—wouldn't we all? But it is not a yearning for mere possessions that moves them. After all, they have from the beginning endured economic disaster and terrible privation.

Ultimately, the death of communism has been brought about by its own spiritual failure. The triumph of "capitalism" is equally a spiritual victory, but we in the West have been slow to recognize it as such. I put "capitalism" in quotation marks because it is a Marxist coinage and a hate word. It is also bad coinage—all systems are necessarily capitalist, because they all have to allocate capital. But everyone is pretty much agreed about its Marxist and principal meaning: a free market system based on the ownership of private property and the free exchange of goods. I am happy to accept this meaning and insofar as I use the term, that is what I mean by it.

When I say capitalist ideas are better, I mean precisely in their spiritual dimension.

Of course they are more efficient; everybody knows that. It is hardly worth saying. What few see, however, is their *moral goodness*. We are still blinded by that awful bit of Marxian theory called "the theory of surplus value" that has for more than a century stood moral law on its head. The theory long ago disappeared from formal economics (even the communists found it an embarrassment), but its false conclusion is still with us. It is summarized by an economic encyclopedia (which mentioned the "notoriety" Marx gave it) as follows: "Profit is unpaid labor appropriated by capitalists as a consequence of the institution of private property"

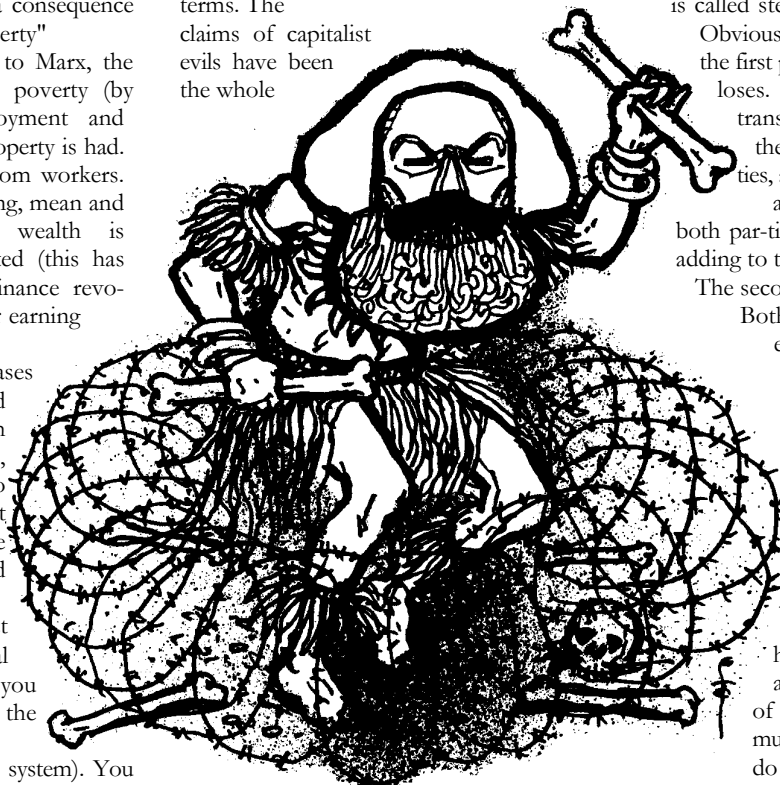
In other words, according to Marx, the capitalist system alone causes poverty (by paying low wages), unemployment and periodic depressions. Private property is had. Rent and interest are stolen from workers. Capitalists are all greedy, grasping, mean and exploitative. By extension, wealth is considered ill-gotten and tainted (this has led many a rich person to finance revolutionary causes out of guilt for earning or inheriting wealth).

We need only document real cases of nasty capitalists and exploited workers (of which there are, of course, many), ignoring everything else, to make the case seem valid. But it is nonsense, and the evidence against it, in both theory and fact, is overwhelming.

Marx's theory is the perfect *excuse* for every personal failure in the market. With it, you can blame anything on the capitalist (your boss, your foreman, society, the system). You didn't succeed because you were being exploited and stolen from. It is human nature to want to excuse one's own mistakes, and here Marx offers absolution for any failing, free for the asking. You don't even have to repent. But there is a price: To believe it, you have to learn to hate. The "bourgeoisie" is to the communist dictators what the Jews were to Hitler: the hate object used to "unite the people." Totalitarianism always requires a permanent enemy, a group to hate. The hate object must be an abstract class (individuals are too concrete and too well known to each other), and it must be "evil." Once a would-be dictator persuades you to hate this class, you are his slave. He is in complete control. You even stop thinking for yourself. It is only a short step beyond this to justify or to take part in

genocide—the gulag or the Holocaust.

It is little remembered now, but Marx first advertised his theories as more economically efficient. They got nowhere. In fact, they were drubbed by experience: Capitalism was booming and wages were rising rapidly when in the mid-19th century he published his predictions that workers would be reduced to poverty. Only when they lost the argument about efficiency did Marx and the communists turn to a moral argument, saying that capitalism was unjust. Only then did they prevail, for there was no rebuttal in moral terms. The claims of capitalist evils have been the whole



strength of communism ever since and still pollute such intellectual swamps as Beijing, Ethiopia and a number of American college campuses.

## Morality in Econ 101

But capitalism is not unjust, nor it is unnatural or immoral; its structure and rules are as ethical as they are efficient. It is communism, on the other hand, that is unjust, unnatural and immoral, as is finally becoming clear after the cruelest century in human memory—a century when nearly 170 million people sacrificed their lives, mainly on the altar of statism and socialist or communist ideology. Whereas socialism and communism appeal to hatred and envy, capitalism not only appeals to our moral instinct to help others,

but harnesses our energies to that purpose and rewards most those who do the most for humanity.

All of us, you see, live in a whirl of activity that involves the transfer of goods and services. We sell our labor and produce, or rent and invest our capital, for money. With our money we buy food, clothing, shelter and the niceties of life. And there are only two ways goods can be transferred. The first is one-sided and involuntary to one of the parties: One party takes what the other has, without giving anything of value for it. This is called stealing (or in some cases, taxes).

Obviously, in such a one-sided transfer, the first party gains and the second party loses. It may look like a break-even transaction, but it is not; it reduces the value of the goods to both parties, and is a net loss to the nation. It also directs future behavior by both parties to less productive channels, adding to the net loss.

The second kind of transfer is two-sided. Both parties voluntarily agree to the exchange. Its key feature is that it is freely chosen. This, and this only, may be called an economic exchange; the word exchange even implies mutual consent. When we see why both parties agree, we have the key to the whole of modern economic science. It is simply human nature. Each of us is one of kind, not only in mind and (hod) but in our talents, wants and goals. We each have a scale of values for what we want, how much we want it, and what we will do to get it. Moreover, our wants and goals change constantly: We want food when we are hungry not right after a meal. We each know who is the best thing to do according to our particular needs at a given moment, and we act on our self-knowledge; nobody else knows and nobody else can decide for us. No two of us ever have quite the same scale of value directing what we do.

You can easily see this theory in operation at a well-stocked cafeteria: Rarely will two people choose exactly the same meal. The differences between us are, as the saying goes, what make horse races—and the who free market. We make different exchange because we value things differently. We exchange your dollar for a loaf of bread because you value the bread more than the dollar. The baker agrees to the exchange because he values the bread less than the

dollar. Such is the nature of all exchanges in the market, no matter how complicated they may seem in their details. It is invariably a matter of people trading something they value less for something they value more.

The principles we derive from this fact are so important that they figuratively make

should. Every dollar we confiscate is devalued. The so-called transfer makes it worth less to both the taker and the taken. At the same time, every confiscation is a disincentive to future production. When our earnings are taken away, we have less reason to earn, and we will do less tomorrow

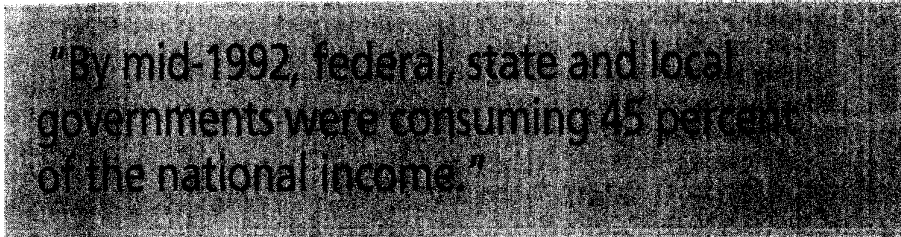
spiritually destitute.

To the inquiring souls among the younger generation, communism must seem like some evil, forgotten sect whose incantations and chants were like witch doctors shaking bones. (Whatever did they *mean* by "dialectical materialism" or "the theory of surplus value"?) Those of us who have been through more of the struggle may find these events more like awakening in surprise and immense relief as an awful nightmare ends.

In Prague, Warsaw, Budapest, and even in Moscow, the celebration of the triumph of capitalism that has been so conspicuously lacking in the West has been loud, exuberant and unrestrained. Obviously, we take our market economy too much for granted. It has been more admired, and at times better understood, where it was absent and where the brunt of a coercive system was felt everyday. In fact, there was a poll taken among ordinary Moscow citizens with this question: "Which system do you think is superior to the other, capitalism or socialism?" The response was: capitalism, 51 percent; socialism, 32 percent. I'm glad they didn't poll Harvard.

In this vein, my favorite story is one about the huge Institute of Marxism-Leninism in Czechoslovakia. It was disbanded as soon as the communist rulers were tossed out, except for its Department of Bourgeois Economics, which had been set up to study our ideas in order to use them against us. The staff in this department had secretly become capitalists through reading the works of Ludwig von Mises, E. A. von Hayek, Milton Friedman and other defenders of the free market. Said the new Czech finance minister, "The world is run by human action, not by human design"—a plain reference to Mises' masterwork, *Human Action*. (One of Hillsdale College's proudest possessions is the personal library of Ludwig von Mises, who left the entire annotated collection of his beloved books to Hillsdale College, which he described as "that educational institution which most strongly represents the free market ideas to which I have given my life.")

Events in the postcommunist world—and here I am not even talking about political events or the violence that has erupted in Bosnia, Azerbaijan, and elsewhere—are still swirling and changing too rapidly to foresee how they will end. It is not going to be easy for citizens of the new republics to rebuild



the world go round. First, both parties *gain* from the exchange. This refutes the notion that there is only so much wealth to go around and if somebody gets some of it, he has to take it away from somebody else. What hogwash! Wealth is constantly being produced and consumed. It is merely distributed through the marketplace. The more of it there is, the easier it gets for all of us to have some: That is simple supply and demand.

Second, the goods or services freely exchanged increase in value, because both parties value them more highly. Or, you can say that they move from less to more valuable usage through more efficient allocation. Free exchanges are a constant process of moving goods, capital, and labor to where they are most useful, making us all richer in the bargain.

The third principle is incentive. When we make a good exchange and are rewarded for it, we have a greater motive to do it again. Reward for our effort brings out our best in the marketplace. But when we are cheated out of what we earn or own by crime or confiscatory taxes, we lose interest in working so hard. Every dollar taken away is a disincentive to economic production.

But we don't necessarily abide by these principles here in the U.S., and that ought to serve as a warning to those in the postcommunist world who want to imitate us. By mid-1992, federal, state and local governments were consuming 45 percent of the national income. That was before the election of President Clinton. Just imagine how that figure is bound to go up in the next four years. We are still a wealthy people, but no nation can survive forever so great and systematic an assault on its ability and incentive to produce. If our moral sense no longer tells us this, our gift for economics

The worst part of the whole tax-tyranny system is that it is so addictive—it feeds on itself. When so much of our money is taxed away, we feel cheated and lose all our moral qualms about getting to the trough ourselves, one way or another, to get it back. That's only fair, isn't it? No, it isn't. All we are doing is resorting to the same means that cheated us in the first place and we are giving overweening government its strongest hold on us.

## A Brighter Road Ahead

**T**here is a brighter road ahead, though, as evidenced by the fall of communism in Eastern Europe and the former Soviet Union. Against seemingly impossible odds, country after country has thrown off its communist yoke. In the Christmas season of 1989, we all watched a very special celebration in Berlin, and we knew the impossible dream had come true. East and West Berliners, reunited after decades, hugged, laughed, poured champagne, wept, and defiantly danced on that monument to barbarity that had divided them, the Berlin Wall. Uncounted millions wept and laughed with them, and church bells rang the world over. Here, for all humanity to see, was the symbolic reunion of long-divided Europe and of the world, in freedom.

Here, too, all saw that communism was no longer a potent idea contending for the minds and hearts of men. It was just one more instrument of power, naked power of men over men, such as we have seen countless times before in history. Its last pretensions as an idealistic moral philosophy collapsed as its borders were broken. The crimes it had so long concealed were laid bare; it lay in the destruction and reek of its own works, economically exhausted and

their decimated economies or to learn the ways of entrepreneurial capitalism after decades of suppression. But they have three things going for them that give great hope. First, they have their churches back—churches that were, in fact, highly instrumental in the downfall of communist rule, by their teaching and moral leadership. Second, they know at least the theory of free markets—I think they could teach us a thing or two—and they certainly have experience in how not to run an economy. Third, in large measure, they have their freedom back. Freedom is what makes *everything* work. We don't know quite how, because we can't predict what free men and women will do, but we can be confident that they will find ways to make things work.

Something else I've noticed that hasn't been mentioned anywhere is how direct and blunt the new leaders in Eastern Europe and Russia are. They talk as if they had long been truth-starved, as indeed they were, and use none of the evasions or nuances of politicians. And they tell us incredible things. All this time, they say, they were *cheated*. Communism was a hoax. It wasted their hard labor. It left them with nothing. Worse, it made war on their spirit and left behind "a decayed moral environment," in the words of Czech President Vaclav Havel.

Back in 1984, an East German girl, wise beyond her years, sadly told a visitor from the West: "It doesn't make any difference

owns everything.

- Everyone owns everything, but no one is satisfied.
- No one is satisfied, but 99 percent of the people voted for the system.

## What Free Men Know

For nearly a century, the Left in this country has claimed that socialism, whether represented by Soviet-style communism or European-style socialism, is morally superior to our market-based capitalist system. They have criticized every aspect of America, all the while chanting their chants and rattling their bones. They have compared our "failures," real and imagined, with their utopian pipe dreams.

Through the testimony of those forced to live under communism and socialism, we know that the truth is exactly the opposite of all the promises. In the former Soviet Union, in the name of "equality" and "economic justice," the party bosses gave themselves a cut of the wealth one hundred to one thousand times greater than that of the masses. They created a ruling class, the *nomenklatura*, more autocratic and exploitative than the tsars. In a system much like apartheid, except far more virulent, they reserved for themselves all the top jobs, the best education, the best medical care, and up to 100 percent of the quality goods sold in special stores that only they could

justice" turned out to be rank exploitation.

Recent years have been bad for the *nomenklatura* and good for the people. The cause of freedom has blossomed not only in Eastern Europe and Russia but around the world. Today, for the first time in history, a greater number of the world's people are free than are not. Many more enjoy some limited freedoms, and free nations outnumber the unfree.

Free men know what tyrants never learn, that the ultimate economic resource is the mind and energy of a free person. Only from a free mind comes the direction of all productivity and the innovation that is tomorrow's prosperity. It is said that we now live in an information economy. This is true enough, but it is not the whole picture. Add to it an unprecedented mobility for the movement of economic resources—assets as well as data. Thought and money can and do travel almost anywhere in a split second, too fast for the plodding state to catch up. It is this mobility and versatility that gives individuals the upper hand at last. There is no turning back.

The growing power of the global marketplace is bringing this fact home everywhere. Its power has exposed the weaknesses of socialism and communism and has helped tear down the Iron Curtain. Its power is fundamentally moral and as such deserves all the moral support we can give it. The message of the postcommunist newcomers to the marketplace is directed toward every would-be tyrant: "We are not things to be used by you, but free people with inalienable rights. In the market, it does not matter how we came into the world but what we make of ourselves. We join in cooperative effort for the good of all. If you interfere, you harm all people. If you oppress us, you will lose all that we have to offer and become poor. Throw away your chains and your barbed wire; they are useless now"

**“Free men know what tyrants never learn, that the ultimate economic resource is the mind and energy of a free person.”**

what we become when we grow up. We will still always be treated like children." She was saying, like Havel, that the very fulfillment of life through adult responsibility and moral choice was impossible under communist suppression. Others—God bless the human spirit that can laugh even in the worst of times—have said the same thing with jokes. Here is the wry assessment of an East German on "the six miracles of socialism":

- There is no unemployment, but no one works.
- No one works, but everyone gets paid.
- Everyone gets paid, but there is nothing to buy.
- No one can buy anything, but everyone

patronize.

So shamelessly did the *nomenklatura* bleed workers that, by some of their own calculations, it was estimated that 86.5 percent of the Soviet population were dirt poor. Many did not have running water or electricity. Only 11.2 percent of the population could be called middle class. That left just 2.3 percent with virtually all the power and privilege; and among these was a "super-elite" of about 400,000 people who alone had access to such luxuries as the system was able to import. The promises were all frauds. "Power to the people" turned out to be totalitarian power in the hands of a tiny, highly privileged ruling class. "Economic

## Tomorrow's Agenda

As I said at the outset, communism is dying, but we need no more than the unrepentant Left to remind us that the war of ideas is not over. It may even grow more intense. The rejection of communism leaves a vacuum that other "isms" and ideologies will rush to fill. Certainly among them will be milder forms of socialism that build the power of the state. It is the business of all who stand for individual rights in a civilized order to refute these efforts and make our own ideas heard. The

answer to bad ideas is good ideas. Let us never forget that the war of ideas is a real war, with real casualties should we fail.

One cannot predict the politics and perils of tomorrow exactly, but the enemies of the moral order change little. We know them. We can in some measure anticipate their assaults by their beliefs and goals and plan our own strategy accordingly. The enemy, as ever, will be the exploiters, the wielders of power and privilege. They will take positions against the traditional and the normal, against home and family, against distinction between man and woman, against human nature itself: positions which, on analysis, will treat people as mere conveniences to somebody's plans, not as individuals of infinite worth. Whatever they seek, they will be armed with ideological formulas and warped words. Above all, they will try to force their schemes on us, using the power of government.

Such resort to government "solutions" always seems to me a giveaway that some-thing wrong or dishonest is involved. In freedom, persuasion—not coercion—is the way to get one's ideas across, and the only way. Imposing them by law denies to others their liberty, their dignity, their right to their own opinions. It is, in fact, an act of contempt toward them and an act of pride in oneself—a claim to know better than we what is best for us. In the view of Nobel laureate E. A. von Hayek, this is the "fatal conceit." In the Judeo-Christian view, it is sin. Deep down, it implies a false, secularist view of life that throughout this century has been at war with Western, and especially Ameri-

can, ideals. It is precisely the kind of thinking that has collapsed due to hard experience in Eastern Europe and Russia; but it is still rampant here. We need not know the whys and wherefores of a given statist scheme to realize that it serves bent thinking and bad purposes. It will, of course, be made to sound good, as if it were correcting injustice instead of creating it, or helping the needy instead of making them dependent and helpless. It will, of course, have the support of all the familiar "opinion makers" in the academy, the media and the Washington Beltway. But it is going to cost us dearly, not only in taxes and liberty but in moral values.

Certainly in the coming years we will have to deal with liberalism, a set of once-noble ideas that sold its soul to statism decades ago and now grows more decadent every day. It remains strong, but as a reflex. Tap any liberal with a rubber hammer, and an informed person can predict where the knee will jerk. The reflex the Left constantly encourages is: Uncle Sam is there to do what individuals can't or won't accomplish on their own. If we agree with this reflex, we forget the basic facts of life. Government can't do anything for us without first taking from us the means to do it. Government's only tool is force, and force is usually the worst possible tool to apply in social matters. Neither must we forget that we ourselves, as free men and women, are the doers, builders and producers. Running to Uncle Sam with our problems only takes away from our own freedom and resourcefulness.

We have, I'm afraid, lost our fear of big

government, and we had better regain it soon. America is not immune to suffocation by an Old World-type state, any more than Eastern Europe or Russia has been. Our survival is at stake. We are seeing momentous change around us, but cannot be sure where it will take us. Will a springtime of liberty bloom into a full summer of peace? Or will our hopes collapse before some new peril? Surely it is up to us to create the right tomorrow for our children by taking charge today. There has never been a generation in the history of the world that has had such an enormous opportunity to make a clear choice and to have such a strong hand in implementing that choice. We can play our part in shaping the world now emerging, or we can stand aside and be overrun. The other side is working against us. We have to be better. We have to lead with the right ideas.

Ideas, not armies, rule the world. We believed too easily that tanks, barbed wire, secret police and instruments of thought control and totalitarian power were decisive and that slaves could never be free. The events of the last several years have proved us wrong. It was false belief, not barbed wire, that enslaved. In the end, the wire was cut and the Iron Curtain broken by simple human choice, not arms. Those who had been trapped behind the barricades said, "Enough!" and were freed. 8