

A Semi-Monthly Newsletter

THE

# Libertarian Forum

Joseph R. Peden, Publisher

Washington Editor, Karl Hess

Murray N. Rothbard, Editor

VOL. I, NO. XI

September 1, 1969

35¢

## National Liberation

The recent rioting and virtual civil war in Northern Ireland points up, both for libertarians and for the world at large, the vital importance of pushing for and attaining the goal of national liberation for all oppressed peoples. Aside from being a necessary condition to the achievement of justice, national liberation is the only solution to the great world problems of territorial disputes and oppressive national rule. Yet all too many anarchists and libertarians mistakenly scorn the idea of national liberation and independence as simply setting up more nation-states; they tragically do not realize that, taking this stand, they become in the concrete, objective supporters of the bloated, imperialistic nation-states of today.

Sometimes this mistake has had tragic consequences. Thus, it is clear from Paul Avrich's fascinating and definitive book (*The Russian Anarchists*, Princeton University Press, 1967), that the anarchists in Russia had at least a fighting chance to take control of the October Revolution rather than the Bolsheviks, but that they lost out for two major reasons: (1) their sectarian view that any kind of definite organization of their own movement violated anarchist principles; and (2) their opposition to the national independence movements for the Ukraine and White Russia on the ground that this would simply be setting up other states. In this way, they became the objective defenders of Great Russian imperialism, and this led them to the disastrous course of opposing Lenin's statesmanlike "appeasement peace" of Brest-Litovsk in 1918, where Lenin, for the sake of ending the war with Germany, surrendered Ukrainian and White Russian territory from the Greater Russian imperium. Disastrously, both for their own principles and for their standing in the eyes of the war-weary Russian people, the Russian anarchists called for continuing the war against "German imperialism", thereby somehow identifying with anarchy the centuries-old land grabs of Russian imperialism.

Let us first examine the whole question of national liberation from the point of view of libertarian principle. Suppose that there are two hypothetical countries, "Ruritania" and "Walldavia". Ruritania invades Walldavia and seizes the northern part of the country. This situation continues over decades or even centuries. But the underlying condition remains: The Ruritanian State has invaded and continues to occupy and exploit, very often trying to eradicate the language and culture of, the North Walldavian subject people. There now arises, both in northern and southern Walldavia, a "North Walldavian Liberation Movement". Where should we stand on the matter?

It seems clear to me that libertarians are bound to give

this liberation movement their ardent support. For their object, while it might not be to achieve an ultimate Stateless society, is to liberate the oppressed North Walldavians from their Ruritanian State rulers. The fact that we may not agree with the Walldavian rebels on all philosophical or political points is irrelevant. The whole point of their existence--to free the northern Walldavians from their imperial oppressors--deserves our whole-hearted support.

Thus is solved the dilemma of how libertarians and anarchists should react toward the whole phenomenon of "nationalism". Nationalism is not a unitary, monolithic phenomenon. If it is aggressive, we should oppose it, if liberatory we should favor it. Thus, in the Ruritanian-Walldavian case, those Ruritanians who defend the aggression or occupation on the grounds of "Greater Ruritania" or "Ruritanian national honor" or whatever are being aggressive nationalists, or "imperialists". Those of either country who favor North Walldavian liberation from the imperial Ruritanian yoke are being liberators, and therefore deserve our support.

One of the great swindles behind the idea of "collective security against aggression", as spread by the "internationalist"-interventionists of the 1920's and ever since, is that this requires us to regard as sacred all of the national boundaries which have been often imposed by aggression in the first place. Such a concept requires us to put our stamp of approval upon the countries and territories created by previous imperial aggression.

Let us now apply our analysis to the problem of Northern Ireland. The Northern Irish rulers--the Protestants--insist on their present borders and institutions; the Southern Irish or Catholics demand a unitary state in Ireland. Of the two, the Southern Irish have the better case, for all of the Protestants were "planted" centuries ago into Ireland by English imperialism, at the expense of murdering the Catholic Irish and robbing their lands. But unless documentation exists to enable restoration of the land and property to the heirs of the victims--and it is highly dubious that such exists--the proper libertarian solution has been advanced by neither side and, as far as we can tell, by no one in the public press. For the present partition line does *not*, as most people believe, divide the Catholic South from the Protestant North. The partition, as imposed by Britain after World War I and accepted by the craven Irish rebel leadership, arbitrarily handed a great deal of Catholic territory to the North. Specifically, over half of the territory of Northern Ireland has a majority of Catholics, and should revert immediately to the South: this includes

(Continued on page 2)

## NATIONAL LIBERTARIAN—(Continued from page 1)

Western Derry (including Derry City), all of Tyrone and Fermanagh, southern Armagh, and southern Down. Essentially, this would leave as Northern Ireland only the city of Belfast and the rural areas directly to the north.

While this solution would leave the Catholics of Belfast oppressed by outrageous Protestant discrimination and exploitation, at least the problem of the substantial Catholic minority in Northern Ireland--the *majority* in the areas enumerated above--would be solved, and the whole question of Northern Ireland would be reduced to tolerable dimensions. In this way, the libertarian solution--of applying national self-determination and removing imperial oppression--would at the same time bring about justice and solve the immediate utilitarian question.

# Letter From Washington

By Karl Hess

## REFORM

Liberal reformers, among their many mystical rites, particularly are devoted to the rational use of the state's taxing power. The most rational use, they seem to feel, is in the redistribution of income.

Thus, when Richard the Reformer Nixon recently announced that he too had seen the light and now was ready to smite the rich and relieve the poor, the pitty-patting of the vested ventricles could be heard loud in the land.

Alas, it is all nonsense.

Taxes can never seriously affect the incomes of the rich. Nor are there any known instances of the government actually transferring substantial sums of money to the poor regardless of its source.

Begin, if you will, with the corporations, those artificial, state-coddled economic monstrosities from whose especially privileged endeavors flow the major wealth of the very rich. Corporations cannot pay taxes. Customers pay taxes. Corporations merely collect them. The point is that corporations are not taxed like thee and me. They are taxed only on what they have left over after deducting *all* of the costs of making it in the first place. They do not pay taxes out of savings, the way individuals must. It is, therefore, apparent that tax increases, for corporations, are paid simply out of price rises or, to repeat, by the customers.

The liberal zeal simply to increase taxes on the corporations is witless at best. It just shifts more of the heavy spending of the state into a relatively "painless" area where the dumb taxpayer, not realizing how the state happily encourages such fictions, growls about rising costs rather than about rising taxes which may, in fact, be what the price rise is about anyway.

But what about just taxing away all of the profits, wouldn't that discourage price rises? Liberals just don't know their corporations, apparently. The corporation is perfectly capable of declaring a zero profit at the end of any given year just by raising the bonuses, dividends or even salaries of its owning fat cats.

Conservatives, of course, hav long since understood the invulnerability of the preferred position in which laws place corporations. They wouldn't dream of blowing the

whistle on them, however, because (1) conservative ideologues and muckrakers usually get their support from corporations, (2) they tend to be the relatives of corporate owners, or (3) they actually feel that the corporations represent some sort of countervailing power to the state.

That, on the conservative side, is as dumb a posture as the reform zeal is on the liberal side. Corporations in no way present a countervailing force to the state. They are, in effect, licensed by the state, they are treated in special ways (i.e. as though no one in them had any individual responsibility) by the state, taxed in special ways by the state, and so forth. They are either simply economic arms of the state or, to put it another way, the state is simply the police arm of the corporations. Under the American system of state capitalism, as under the similar system in the Soviet Union, that's just the way it is.

The liberal reformists, however, at least feel that they have been given a great lift by Richard the Righteous in that he has closed up a lot of loopholes through which the very rich have crawled without paying any taxes on huge incomes. They miss, in their mean little zeal for revenge, the big point about such people. The closing of one set of loopholes or, indeed, all loopholes, just means that the rich guy must shift his method of income. It is one of the concomitant strengths of being rich in a state-capitalist system in the first place that it supposes an ability to collect income in whatever form, whenever, and however desired. Only the poor must live pinned tightly to urgent weekly demands of wages and withheld taxes.

There are some loopholes, of course, that would cause pain if obliterated, such as the still scarcely scratched oil depletion allowance. On the other hand, it actually would be more productive of benefit to the poor if, instead of simply clobbering the oily ones, the notion of depletion simply was extended. Manual laborers, for instance, obviously are depleted faster than any damn oil well but the state obdurately refuses to acknowledge it.

Something similar may be observed in another liberal attitude toward the poor. The Nixon Administration's decision to relieve the very poor of any tax payment at all is liberally viewed as government's reasonable attempt to get more money into the hands of the poor.

The money belonged to the people in the first place! The government now is just refraining itself from stealing so much of it. But are the poor relieved of the war tax on telephones when they use them? Are they relieved of war taxes on other items? Are they relieved of the taxes and the tolls of the predatory local governments who prey on them? Of course not. In short, for every dollar that government boasts that it is getting into the hands of the poor, it is still likely--and there are no real studies on the subject--that the poor continue to pay more out in tribute to the state at all its wretched levels.

For instance, when government liberally boasts that the poor 'get' something from government they include in their bookkeeping the poor's share of the monstrous defense budget or the lunatic lunar boondoggles. Those are programs the poor would probably would be quite happy to forego if only the government would get altogether off their backs.

The point of all this is that among the grandest mistakes reformers ever make is summed up in the attitude toward taxes and corporations and poor people. The state is simply a gigantic corporation, just like G.M, just as predatory, just as bureaucratic, just as 'profit' (power) crazed, but with the added horror of having at its disposal the entire machinery of actual physical coercion.

To regard the taxes (profits) of the state as somehow more pleasant than the profits of the state-sheltered corporation, to think that the bureaucrats of the state have any more concern for the poor than the bureaucrats of the corporation, is one of the most fatal flaws in the reformist character.

# THE CZECH CRISIS:

## PART I:

### The Eastern European Roots

By Leonard P. Liggio

Czechoslovakia, the most industrially advanced East European country when the Communist party assumed power at the end of World War II, had in two decades become economically stagnant. Serious slowing of economic growth was evident by 1962 when the aggregate product grew only 1.4 percent and industrial output declined 0.7 percent. In 1963 aggregate product declined 2.2 percent and national income declined 3.7 percent. Heavy subsidies were expanded for two decades to construct and operate industries without regard for their ultimate productivity. The annual subsidies to maintain these 'white elephant' factories has been a phenomenal fifteen percent of the total net national income. Further, twenty percent of the claimed national income consists of unsold finished products which are unsalable due to poor quality or high prices because of inefficient production.

In 1962 there was a deep agricultural failure when production fell 6 percent. This catastrophe was the final result of Communist leader Antonin Novotny's reversal in 1955 of the party policy of full support for private farmers. Systematic pressure was placed on the small and medium private farmers to enter collective farms. Novotny in 1963 appointed a new premier to try to deflect public opinion toward the political superstructure and away from the real causes in the basic economic system. However, Czech economists began an overall study of the economy. A commission of the economic institute headed by Prof. Ota Sik was strongly influenced by the Yugoslav system of market socialism based upon free price mechanism and profitability as the test of value.

Yugoslavia made the earliest major innovations when it was read out of the Soviet bloc in 1948. The Yugoslav League of Communist leadership, headed by Josef Tito, survived Soviet denunciation because it had gained public support by recognizing that the solution of the problems of the peasant farmers and of agricultural productivity was crucial for an underdeveloped country. Experience indicated that collectivization of agriculture was not the solution for agricultural productivity; this deviation from the Soviet model was a major accusation against Tito.

Brutal purges were conducted in East Europe between 1948-53 against national communists who advocated the principle of autonomy from the Soviet party and its practical application in abandoning agricultural collectivization. Wladislaw Gomulka, Polish party leader until purged as a 'Titoist' in 1948, explained (after his rehabilitation in 1956) the root of Stalin's 'cult of the personality' in the Soviet Union as primarily based in Stalin's policy of collectivization of agriculture after 1929. Gomulka indicated that the introduction of mass violence for the first time in Soviet society led to the elimination of Leninist principles in the communist party and the complete domination of police-state methods in the Soviet Union. (In 1956 Gomulka reversed the collectivization of agriculture in Poland.)

Having challenged the Soviet model in agriculture, the Yugoslavs adopted new techniques in industry. Tito called for the initiation of the gradual withering away of the state apparatus beginning with workers' ownership of state enterprises. "In the Soviet Union after thirty-one years," Tito said in 1948, "the factories belong to the state, not to the people . . . they are run by civil servants."

The Yugoslav party aimed to replace the role of the state bureaucracy in firms by substitution of workers' self-management. The firm's workers would control the management of the firm and share in its profits. The test of

efficiency is directed to the firm's competition in the supply and demand market. The goal of eliminating compulsion was introduced. According to vice-president Edward Kardelj: "The maximum effort and initiative of the individual does not depend so much upon directives and controls as it does upon the personal, economic, social, cultural and material interest of the worker who is working and creating in freedom."

The influence of the Yugoslav experience was very important during the 1956 Thaw. In East Germany, the faculty of the German Academy of Economic Science had engaged in extended discussions of the problems of the withering away of the state. The Academy's director, Prof. Fritz Behrens, had prepared detailed programs for major decentralization of the economy. It was held that rationality and productivity required autonomy for industrial enterprises. These programs were severely criticized as "anarchism" by the East German government.

Nevertheless, these economic policies received partial application in the New Economic System of the 1960's. Despite East Germany's rise to the sixth largest industrial producer in Europe, and three-fold increase in workers' real income, its investment costs in 1965 had risen phenomenally and it was paying six times what it did fifteen years earlier. The unfinished investments were valued at one year's gross fixed investment. Planning in building and housing construction had created a disaster. The compulsory collectivization of agriculture in 1960 severely crippled that sector with slaughter of livestock, neglect of fields, and flight of farmers to the cities. The regime was forced to increase investment in agriculture by thirty percent to maintain a stagnant rate of production. Additionally, food comprised twenty-five percent of East Germany's imports in place of further investment in agriculture. Much of the food imports came from Poland's private agricultural system.

East Germany's New Economic System was introduced to gain reliable cost accounting, reduction of production costs, and managerial autonomy. But, the emphasis has been upon achieving this through the panacea of the electronic computer, leaving the central planners in ultimate control. Thus far, the results have not been a major transformation of East German economic production.

In Hungary during the mid-1950's the popularity of workers' councils and self-management of firms developed in newspaper discussion of Yugoslav policies following exchange visits of Hungarian and Yugoslav workers. In 1954 the Institute of Economics was established and it presented detailed criticisms of the centralized planned economy, the development of heavy industry at the expense of agriculture, the lack of a role for industrial profitability, the unreal price system. The untenability of planning was examined by Janos Konrai, *The Excessive Centralization of Economic Management*, Budapest, 1957. Thus, in 1957 the Committee of Economic Experts was formed to propose reform of the economy. Its program called for decentralization, price reform, material incentives, independence for individual firms, abolition of the state control of foreign trade and encouragement of private farms. The government never responded to the proposal, but it contained the ideas which appeared in the New Economic Mechanism, prepared in 1965-66 and implemented in 1968 because of the growing economic crisis. The Hungarian program is the most far-reaching with the exception of Yugoslavia.

In Poland during the 1956 Thaw decentralization and workers' self-management were introduced. As described in a Polish student weekly, "Workers' self-government was initiated in Yugoslavia essentially as an initiative from above, in the form of a decree, prepared for the most part by comrade Kardelj on a theoretical basis. In our

(Continued on page 4)

**THE CZECH CRISIS —** (Continued from page 3)

country, as we all know, it was wrested from the ministers by the workers themselves." But Gomulka rebuked the idea of far-reaching administrative decentralization in May 1957. "If every factory became a kind of cooperative enterprise," Gomulka said, "all the laws governing capitalist enterprise would immediately come into effect and produce all the usual results. Central planning and administration . . . would have to disappear."

As a result, Poland's cooperation was limited to pioneering in the advocacy of radical economic theory. Oskar Lange's writings were especially important. Lange has emphasized that Austrian economics, especially the work of Ludwig von Mises, is the sole rational alternative to Marxist theory. The Misesian critique of planning and of calculation under socialism is the major problem for Marxist economists. But even in theoretical discussions, the Polish economists can only go so far. Thus, Stefan Kurowski, the leading Polish exponent of the free market, has, with a few exceptions, not been allowed to publish his studies.

Thus, in the 1960's, advocacy has been limited to regulated markets and free price formation within central planning. Warsaw Professor Wlodzimierz Brus (*General Problems of the Functioning of a Socialist Economy*, 1961) was attacked in 1967 ("The Antinomies of the Market Theories under Socialism") for arguing that planning and the free market are mutually exclusive and that not only a free market in labor but also in capital goods is necessary.

The failure in Poland to proceed with market economy reforms delayed economic development. Late in 1967 three Communist Party plenums were devoted to the economic crisis which was causing unrest in major industrial cities. Food and clothing were in short supply; state warehouses were bursting with unsalable goods due to high prices or inferior quality. In November there was a thirty percent increase in the price of meat. The government explained the meat shortage: managers of minimally controlled enterprises had such good consumer response that they hired more employees to meet the demand but this "excessive increase in employment" was not called for in the central plan and their wages drove up the price of meat. General agricultural problems have developed since Gomulka reversed his private-oriented farm policy; the production of small tractors necessary for Polish farms was halted and only large tractors, for state farms, were available. The private farmers' fear of collectivization has caused declines in production growth.

With economic crisis threatening to generate popular

protest, free market-oriented economists became the scapegoats to hide the real causes rooted in central planning. In March 1968 protests against the existing system had been spearheaded by university students. To the slogan "Long Live Czechoslovakia" they marched through the streets and occupied university buildings and the Ministry of Education with predictable results: a police riot. The student demand for an investigation of the police was met with expulsion of students and dismissal of liberal faculty, such as Adam Schaff for his *Marxism and the Individual* Leszek Kolakowski, the principal theorist of anti-authoritarian Marxism. Brus and Kurowski were charged with encouraging the students by their programs to undermine central control of the economy ("Socialist Democracy and Market Socialism" in the party newspaper). Brus, Tadeusz Kowalik and Ignacy Sachs were expelled from the party for holding that only the "market can guarantee the basic economic structure during the process of development."

The intellectual as well as material impact of the economic collapse of orthodox Marxist economics in East Europe has been compared with the 1929 Depression for the West. While the politicians in both cases resisted change, there is a marked difference between the response of economists and intellectuals in the West during the 1930's and those in the East in the 1960's. The former, refusing to challenge the Establishment seriously, opted for more elaborately theorized forms of the *status quo* in the form of Keynesian and Marxist economic theory. In the East the Establishment was really challenged by the intellectuals and economists, who embraced free market economic theory.

Their adoption of market economics was both a response to real conditions and the result of intellectual willingness of some economists East and West to seek dialogue and exchange of conflicting ideas. It is a credit to the East European economists, often members of Communist parties, that they were open to non-Marxist ideas. As Marxists they came to recognize that there were no differences between Marxist economics and the mercantilist, monopoly economics dominant in Western universities; the only clear alternative to the catastrophic planned economics in the East was the free market. Equally important was the openness of European market economists in originating discussions with Marxists. Year after year, they attended joint East-West conference, travelled to the East to initiate dialogue, and invited East Europeans to discuss their Marxism in the West. Unlike Americans they were not inhibited by adherence to the official Anti-communist line, although identification with U. S. policy hardly appears deducible from free market economics. Their healthy, self-confident activism in overcoming the obstacles to dialogue with Marxists has had important historical effects.

(The concluding part will appear in the next issue.)

**Hear Ye! ANNOUNCING Hear Ye!**

A

## Libertarian Conference

The Columbus Day Weekend In New York City  
From Friday Night, Oct. 10 through Sunday, Oct. 12  
At The Hotel Diplomat

**Speeches! Panels! Parties!**

FEATURED SPEAKERS **KARL HESS**

**DR. MURRAY N. ROTHBARD**

PANELISTS INCLUDE: Walter Block, R. A. Childs, Jr., Walter Grinder, Leonard P. Liggio, Joseph R. Peden, Robert J. Smith, Jerome Tuccille

**COST: Students \$7.00 Non-Students \$10.00 (10% extra at door)**  
All who bring sleeping bags are assured of floor space.

For Reservations and Further Information, Write:

**The Libertarian Conference Committee**  
Box 341 Madison Square Station  
New York, N. Y. 10010

## The Libertarian Forum

BOX 341  
MADISON SQUARE STATION  
NEW YORK, NEW YORK 10010