THE NIXON MESS

It is increasingly apparent that the major qualities necessary to a man's becoming President (demagogy, slick political opportunism) are unsuited to resolving what the Marxists call the "inner contradictions" of his program and of the system for which he has become responsible. A President invariably begins his term with the enormous advantage of a lengthy "honeymoon" and the best of support from press and country; he is ensnared by the mighty mass advantage of the power and prestige of his monarchial office. But his usual eclectic, vacillating, and ad hoc policies cannot, by their nature, resolve any major crises into which he and his predecessors' programs may have embroiled the country. It took "master politician" Lyndon Johnson four years to lose his "credibility" among the public; it has taken master politician Richard Nixon only a year to get into the equivalent mess.

The central feature of Nixon's Administration is the absolute contradiction between the rhetoric of his promises and the reality of his program. He has promised peace, prosperity, withdrawal from Vietnam, and a turn toward freedom of enterprise; he has brought us precisely the trouble; and yet, price inflation continues galloping away at a rate of about 7% a year, with interest rates, already the highest for over a century, continuing their inexorable march upward. All that Nixon's economic advisers can do is to continue to assure us that prosperity is just around the corner. As Gore Vidal acidly put it, historically Democrats have gotten us into wars, and Republicans into recessions; Richard Nixon has performed the notable feat of getting us into both, and at the same time!

The phenomenon of inflationary recession cannot be understood by Establishment economists, whether of the Keynesian or the Milton Friedman variety. Neither of these prominent groups has any tools to understand what is going on. Both Keynesians and Friedmanites see business cycles in a very simple-minded way; business fluctuations are basically considered inexplicable, causeless, due to arcane changes within the economy, although Friedman believes that these cycles can be aggravated by unwise monetary policies of government.

I remember vividly a prophetic incident during the 1958 recession, when the phenomenon of inflation-during-recession hit the country for the first time. I attended a series of lectures by Dr. Arthur F. Burns, former head of the Council of Economic Advisers, now head of the Federal Reserve Board, and someone curiously beloved by many free-market adherents. I asked him what policies he would advocate if the inflationary recession continued. He assured me that it wouldn't, that prices were soon levelling off, and the recession soon approaching and end; I conceived this, but pressed him to say what he would do in a future recession of this kind. "Then," he said, "we would all have to resign." It is high time that we all took Burns and his colleagues up on that promise.

For both Keynesians and Friedmanites have essentially one set of recommended policies for business fluctuations. In an inflationary boom, taxes are supposed to rise, monetary (Continued on page 2)
policy to be more stringent; in various ways, and with different emphases among the two groups, money is taken out of, or not fed into, the economy. Conversely, during a recession, the monetary economy is fed into by the central bank, and deficits are incurred, and the economy stimulated. But, during recessions, activity and employment are supposed to be falling off, and prices falling: what happens if prices are still rising? Our economic managers are then caught on the horns of an escapable dilemma; if they pump money into the economy, they may turn around the recession, but then prices will gallop away at an alarming rate; and if they tighten the monetary screws in order to stop the inflation, then recession and unemployment will deepen alarmingly. The Nixon response, predictably, has been to take neither clear-cut line, but to fudge, hesitate, vacillate, do both and neither. And the result, predictably, is that Nixon has prolonged the dilemma, has prolonged the mess of inflation—um—recession. With no clear-cut program, Nixon has implemented all of the above possibilities embalmed in a horse.

When Nixon first came to office, he continued the rapid rate of monetary inflation of the Johnson Administration. Finally, his conservative advisers won out and Nixon stopped expanding the money supply, which remained constant from about June, 1969 to February, 1970. He was prepared to accept the recession which inevitably arrives when monetary inflation stops, provided that prices depend not only on the quantity of money but also on the subjective demand to hold money on the part of the populace. As an inflationary boom proceeds and prices continually rise, expectations of future increases become built-in to the psychology of the public. Hence, their demand to hold money begins to fall, as people decide to make their purchases now rather than later when they know prices will be higher. The mere cessation of monetary inflation cannot, all at once, reverse inflationary expectations. Hence, prices will keep rising until the determination of the government not to inflate the money supply further becomes credible among the public. The Nixon Administration's anti-inflationary sincerity has never become credible, partly due to the hysterical attacks by Friedman and his followers on the hard-money, non-inflationary Nixon policy from June, 1969 on. With the money supply constant at long last, Friedman and his influential followers began a continuing drum-fire of attack, calling for resumption of Friedman's talismanic proposal of a continuing expansion of the money supply by 3-4% per year. But, even if Friedman and his followers did not feel that they had gone too far, the point is that Friedman's moderate inflationism had a disastrous effect upon the short-lived non-inflationism of the Administration and upon its credibility among the public.

The second basic reason for inflation of consumer goods' prices in a recession is a uniquely Austrian explanation. For the heart of the Austrian theory of the business cycle is that the inflationary boom leads to over-investment of the "higher orders of production", an over-expansion in capital goods' industries. What is needed during a recession, and what the recession accomplishes, is a shift of resources from the swollen capital goods, to the underinvested consumers' goods industries. What impulses this necessary readjustment is a fall of prices in the capital goods industries relative to consumer goods, or, to look at it another way, a rise in consumer goods' prices relative to other prices. The beginning of a recession is marked by wage and cost pressure upon profits in the capital goods industries, with selling prices in these industries relatively falling, and the relative rise in prices and therefore in profits in consumer goods inducing resources to move into these latter industries. The process ends with the end of, and therefore recovery from, the recession.

As a result, every recession in the past has been marked by this shift of resources, and a rise in consumer goods prices relative to capital goods prices (and also to other producers' goods prices, such as wages in capital goods industries.) But the point is that nobody worried about this, because the politically high interest in a decision to freeze the money supply means that prices in general were falling. Nobody cared, for example, if consumer goods' prices fell by 10% while producers' goods prices were falling by 20%. But now, absolute federal control of the banking system means that we never can enjoy an outright contraction of the money supply, and hence prices in general can never fall. The recession, like the inflationary boom, is a controllable process.

The anti-inflationary monetary contraction must be sharp and a truly anti-inflationary program, interest rates can only continue their march into the stratosphere. (And since the government controls the banking system means that we never can enjoy an outright contraction of the money supply, and hence prices in general can never fall.) The recessions high interest in monetary contractions that must continue to climb ever upward; the only thing that can bring them down is a really stiff recession, a recession which includes the levelling off of prices. But since the Nixon Administration is not willing to contemplate a stiff recession and a truly anti-inflationary program, interest rates can only continue their march into the stratosphere. (And since the government controls the banking system means that we never can enjoy an outright contraction of the money supply, and hence prices in general can never fall.) The recessions high interest in monetary contractions that must continue to climb ever upward; the only thing that can bring them down is a truly stiff recession, a recession which includes the levelling off of prices. But since the Nixon Administration is not willing to contemplate a stiff recession and a truly anti-inflationary program, interest rates can only continue their march into the stratosphere. (And since the government controls the banking system means that we never can enjoy an outright contraction of the money supply, and hence prices in general can never fall.) The recessions high interest in monetary contractions that must continue to climb ever upward; the only thing that can bring them down is a truly stiff recession, a recession which includes the levelling off of prices. But since the Nixon Administration is not willing to contemplate a stiff recession and a truly anti-inflationary program, interest rates can only continue their march into the stratosphere. (And since the government controls the banking system means that we never can enjoy an outright contraction of the money supply, and hence prices in general can never fall.)

The absence of monetary deflation and hence of a general fall in prices has unpleasantly removed the veil over the usual rise of relative consumer prices. The absence of the old-fashioned deflation means that the consumers have to suffer both real, and not of a general rise in relative prices of the goods they must buy. The supposedly "humanitarian" manipulation of the monetary and credit system to end old-fashioned deflation during recessions (a manipulation agreed to by Keynesians, Friedmanites, and even many Austrians), has brought us only the worst of both worlds: the worst features of both inflation and recession.

In the short run, the only sound way out for the Nixon Administration is to be willing to engage in a truly rigorous anti-monetary inflation program, to stop inflating the monetary supply and, indeed, to engage in some old-fashioned deflation. The recession would then be sharp but short-lived, and recovery would be brisk and healthy. The anti-inflationary monetary contraction must be sharp and determined enough to offset the inevitable rise in relative consumer prices and to change the inflationary expectations of the public. (It must be rigorously "hard money". Only then will prices level off and even humble continually decline, and only then will interest rates fall. The Administration must cease pursuing the Friedmanite pipe dream of a levelling off of prices. (Continued on page 3)
prices along with recovery but without abandoning monetary inflation. In the long run, of course, we need a total overhaul of our inherently statist and inflationary monetary system, with a liquidation of the Federal Reserve System and a return to a genuine gold standard.

But the Nixon Administration is likely to turn, if turn decisively it does, in precisely the opposite direction. Unwilling to bring monetary inflation to a halt, unwilling to go into a truly "hard money" program, it might very well add onto its vacillation and drift a turn toward the totalitarian method of wage-and-price controls. Already there are ominous signs of wage-price controls on the horizon. Arthur F. Burns, the man our anarcho-Nixonites assured us was soundly free-enterprise, now talks of "voluntary" or even coercive price controls. Such business economists as Pierre Rinfret and Lionel Edie and Co., have already frankly called for wage-price controls. There are two things wrong with such controls: one, they are the totalitarian antithesis of freedom or the free economy, and two, they don't work, leading instead to the "suppressed" inflation of black markets and eternal shortages and misallocation of resources. Why, then, are so many of our "conservative" business economists reaching for such controls instead of simply recognizing that profit margins are being squeezed by the pressure of wage-costs, as they always are in recessions; and therefore, these business economists hope to stop wage increases by the use of compulsion and the State bayonet.

Guaranteed income schemes; continuing budget deficits; monetary inflation; and now wage-price controls; under the cover of traditional free-enterprise rhetoric, the Nixon Administration continues us ever further down the path toward the economy of fascism. But none of this will solve the crises brought on by his and his predecessors' policies. He cannot end the war in Southeast Asia by expanding it, and he cannot end price inflation by continuing to inflate the money supply, or by coercive attempts to overrule the forces of supply and demand. Richard Nixon is sinking deeper into his own quagmire. He cannot bring us peace, he cannot bring us inflation-less prosperity, Nixon's goose is cooked.

ANARCHISM AND GOVERNMENT

Ludwig von Mises, the greatest modern advocate of democracy and representative government, has never raised any objection against the modern anarchist position; every critique of anarchism made by Professor Mises has been aimed at the older authors of the movement, those who believed that members of society would all voluntarily submit to the moral code. The older anarchists who held this view were utopians, i.e., they believed that a perfect society was attainable, where no one would break the moral code. Modern anarchists do not hold this view, however. Rather, they recognize that no social system could conceivably guarentee that no one would break the moral code. Modern anarchists are fully aware that the search is not perfect for a perfect social system, but for the best (most moral) system among those conceivable. Because anarchists seek the best, they naturally choose that system which in no way institutes the breaking of the moral code. This means a system in which no government, i.e., taxing authority or legalized coercive agent, exists. Anarchism, like any other projected social system, is based on moral principles. In dealing with social systems, the primary question we must ask is the moral one. Only secondarily is it necessary to inquire into the utilitarian aspects of the system we have chosen. Thus, the demonstration that in a perfectly moral, anarchist, society—perfectly moral in the sense that no criminal actions are legalized—everyone would be better off materially and psychically is secondary to our major concern. The question whether anarchist society is "workable" betrays an immaturity of mind and lack of knowledge and vision. One thing is outstandingly clear to the student of history: Free men are capable of devising methods of coping with all their problems, moral and utilitarian, without invading the freedom and property rights of others. Historical examples are innumerable. In short, anarchism does not expect that everyone will obey the moral code requiring that no one invade the property rights of another; but, anarchism does hold that, in our efforts to prevent and punish such invasions as do occur, we may not invade those same rights (as is done when government is established). Thus, anarchism simply requires that human rights not be invaded by anyone or any group for any reason, supposedly beneficial or otherwise. The State is by nature an invader of men's rights, just like any "private" criminal; and government must be subject to the same moral sanctions as are imposed already upon such "private" criminals. Anarchists hold that morality must be upheld in all cases, and not abandoned whenever State actions are involved. Men have long since rejected the Divine Right of Kings; surely it is now past time to do the same with all claims that the State is Extra-Human or Extra-Moral. The State must be judged on the same level and by the same principles as all other human actions and institutions; one rule applies to all.

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Abortion Repeal

On one point, at least, the Women's Liberation forces are libertarian and correct: and that is the basic libertarian concept that every person and therefore every woman has the absolute right to govern and control her own body (or, as we might put it, everyone has the fundamental property right in his own body, or the "right of self-ownership"). This fundamental property right immediately rules out slavery, and the draft. And it also rules out any and all laws restricting any woman's right to perform an abortion.

Too many libertarians tend to dismiss the traditional Catholic counter-argument as unworthy of discussion. That argument is important and cogent, but, I believe, wrong: that abortion constitutes the killing of a living human being, and is therefore tantamount to murder.

The crucial point is that the fetus becomes human, when the soul arrives, etc. The vital consideration, from my point of view, is not whether or to what extent the fetus lives or is human, but precisely the fundamental libertarian axiom that each individual has the absolute right of property in his or her own body. The crucial point is that the fetus is contained within the body of its mother; it is, in fact, a parasite upon that body. The mother has the absolute right to get rid of this parasitic growth, this internal part of her body. Period. Therefore, abortions should be legal.

From The "Old Curmudgeon"

A German politician of a few decades ago once said: "When I hear the word 'culture' I reach for my revolver." I'm sure we can all think of a lot of words we'd like to substitute for "culture" in that remark. For example: "counter-culture"; "youth culture"; "alienation"; "sense of belonging"; "the Environment"; "the community"; "relevant"; "Women's Liberation"; "where his head's at"; "groovy"; "rapping"; and "Right On!"

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RECOMMENDED READING

Individualist Anarchism. Until recently, there have been virtually no books in print on the fertile field of the American tradition of individualist anarchism. Now, two important books fill some of this need.

Henry J. Silverman, ed., American Radical Thought: The Libertarian Tradition (Lexington, Mass.: D. C. Heath Co., 1970, paper), immediately replaces Krutchen and Perry's Patterns of Anarchy as the best collection of readings in individualist anarchism. Professor Silverman has collected significant readings on American libertarianism, beginning with Jefferson and Paine, and then moving quickly to the anarchists, most of whom, fortunately, were individualists. Included in this handsome volume are contributions, among others, from Warren, Tucker, Spooner, Thereau, Garrison, Ballou, as well as contemporary contributions from American anarchists. The latter include Carl Oglesby's call for a left-right alliance, Karl Hess's classic "Death of Politics" from Playboy, the scintillating "Tractatus Stilicus" of the Anarchist Caucus of YAF in the summer of 1967, co-authored by Karl Hess's son, and two contributions from Murray N. Rothbard: "Confessions of a Right-Wing Liberal" from Ramparts, as well as the "Student Revolution" from the May 1, 1969 issue of your own Lib. Forum. The collection is nothing if not up-to-date. Price is not listed on the cover; this paperback must be ordered either from Heath or from a college bookstore.

The pioneering history of American individualist anarchism has just been reprinted: the 1932 study by Eunice Minette Schuster, Native American Anarchism: A Study of Left-wing American Anarchism (available at $12.50 from the Da Capo Press, 227 West 17th St., New York, N.Y., 10011). Schuster's study is much less satisfactory than James J. Martin's Men Against the State for Warren, Spooner and Tucker, but Martin's book is out of print, and also does not cover such important Christian anarchists as Ann Hutchinson, and the Garrison movement. So Schuster is indispensable for students of American anarchism.