

## THE AMERICAN ECONOMIC SYSTEM

*The fundamental nature of the American economy has remained constant for the past 200 years: only the degree, form and direction has changed.*

One of the major stumbling blocks in a discussion of economic problems that beset the individual in America (inflation, unemployment, poor housing, "exploitation") is the lack of a clear understanding on the part of most people of the exact operation and nature of the economic process which exists in America. This lack must be overcome before one can become acquainted with the only two alternatives to the present economic system.

An important ground rule for an economic discussion of the economy is to avoid the use of emotion-laded terms such as "capitalism", "socialism", "fascism", and "communism" in the description of the system. We will thus avoid such labels, not because they lack concrete meaning (each has a very concrete meaning) but rather because the fundamental questions in economics involve operational procedure and moral concepts rather than labels.

### Four Essential Issues

There are four essential issues to be weighed in any evaluation of economic systems. Disagreement on these issues leads to the disputes raging in economic discussions. The first issue is that of **value**.

What exactly gives a good or service its value? Is value something which can be fixed through scientific measurement? If so, any relationship where an item of greater value is exchanged for one of lesser value obviously must result in someone gaining and someone losing. Or, on the other hand, is value something which a certain group can decide? If so, set values for a society can be created for all to use in exchange. Or, finally, is value determined by the personal evaluation of each individual trading in a free market place? If so, values are flexible and depend solely on voluntary estimations by traders.

The second issue of economic systems analysis is that of **praxeology** (the rules of

relationship between individuals). There basically are but two modes of social interrelation: trade and authority.

An authority relationship exists when one party to a social interaction, or an observing party, threatens or uses physical force in some way to alter the pattern of interaction. This obviously is the case in all violations of individual liberty, interferences with voluntary association and positive law. The only other method of social action is trade, where each individual deals with all others on a voluntary basis, trading values (either material or psychic) for values desired. All human action is based upon one of these two modes of behavior.

The third issue to be evaluated is that of **private property**. Is property a moral concept giving ownership and control to a man for each thing that he creates, trades for his labor, or acquires voluntarily? If so, then he may do with his property anything he wishes, whenever and however he wants, so long as he respects the right of others to their property. Or is property an immoral concept, rationalizing individual control of what should be used by all in society? Or, finally, is private property a useful concept which can be owned and used only within limits set by the rest of society?

The final issue is that of **methods vs. goals**. Is the important economic question that of ends or means? Is it important to base an economic system upon individual rights irrespective of the goal that each individual desires, or should policy guide a society toward one central goal and set of priorities for all members of that society to accept, whether they like it or not?

### Mixed Economy

These are the four important moral questions in economic discussion and analysis. Exactly how does the American economic system answer these questions? This should be obvious. American economic thinking has developed over the past 200 years in a classic *mixed* approach to economic systems.

Economists have recognized for years that the essential nature of the American economy is pragmatic . . . treading a narrow line between the two extremes of praxeology. Trade

has been allowed . . . within ever narrowing limits. The State has set most maximum-minimum values and allowed the marketplace to operate within the margins. Finally, the government has set priorities and goals with no regard to what each individual cares to do with his own life and property.

The essential and dominant trait of the American economic system since the American Revolution has been one of government intervention in the economic affairs (exchange, ownership and association) of men. The change in economic policy has not been in intervention but rather adjustments in degree, style and, historically most important, "for whom".

The nineteenth century was the age of intervention *for business*. The myth that government allowed freedom in economics is easily refuted by a quick examination of the pro-business activity on the part of the American administrations during this period: tariffs, subsidies, limited liability status, anti-union laws, injunctions, free land to railroads, to name a few.

The beginning of the twentieth century brought not a change in the nature of economic policy but only in the direction of policy. By this time, Labor had become politically powerful and now government intervention came in the form of pro-labor legislation such as the Wagner Act, minimum wage laws, social security, public welfare, and the programs of the New Deal.

Thus, today we see government aiding, through intervention, both sides. On the personal level, the result is that each American—consumer, employee and businessman—is increasingly pressured by government policy, taxation, regulation, and deficit spending/inflation. Regardless of the period of American history, the essential nature of the economic system has been interventionist.

### Freedom V. Slavery

There are only two fundamental avenues available to those dissatisfied with the operation of the present American mixed economy. These avenues are based upon the two fundamentally different, and diametrically opposed economic systems mentioned earlier. Since the middle of the road has failed, America



must now turn to one of the two alternatives. This means a choice between the free market and the state, between free trade and authority, between private property and collective ownership, between your right to pursue *your goals* or your coercively enforced obligation to pursue the goals others set for you.

The issue is, as it always must be, **freedom vs. slavery.**

Only those who deny the right and the ability of the individual to run his own life can choose slavery. Those who respect the individual and human liberty, must choose political liberty and its economic concomitant, the free market.

*Coercion gives men no special powers or abilities that they do not otherwise possess. All that which is truly worthwhile can be accomplished without aggression. Free men are not idiots or brutes—they do not need governments to force them to provide for their education, their sick, their poor, or for their old age. Historically the greatest advancements in human welfare have been made in precisely those periods with the least governmental regulation of human action.*

*The omnipotent state is the archaic remnant of tribal war lords and witch doctors; it is the super-parent who tells us that we are not fit to run our own lives. But there comes a time in the life of every man and society when they must leave the stifling safety of a programmed existence, discard the myths of childhood, and venture forth into the world of self-responsible adults. There are, to be sure, risks in abandoning the nursery, but no human development is possible without risk.*

*As libertarians we say to the world: Wake up and cut the cord. There is a world of infinite pleasure, variety and adventure open to the person with the courage to be free.*

Jarret B. Wollstein

The **Society for Individual Liberty** was the first national educational and activist organization dedicated to the principles of libertarianism. For more than ten years, S.I.L. has been promoting the goal of a free society in America through leadership, development of Libertarian clubs, dissemination of ideas, and encouragement of activist projects.

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## SIL DECLARATION OF PRINCIPLE

Adopted October 1969

*As Advocates of Individual Liberty We Affirm:*

*That every person has an inalienable right to their own life, liberty and property;*

*That the only proper use of force is in retaliation against those who violate human rights;*

*That the basic violation of human rights consists of the initiation or the threat of the initiation of force against the individual;*

*That all proper social organization can only be a consequence of voluntary association between individuals;*

*That the only economic system consistent with human prosperity and happiness is laissez-faire capitalism;*

*That the ideologies and instrumentalities of coercive collectivism are the basic threat to human rights and the existence of moral human societies;*

*And that both moral individuals and moral societies have the obligation to act in their own rational self-interest to protect themselves from those who seek to coercively control, direct and enslave them.*

*With the apostles of coercion increasingly predominant in the councils of man, it is the duty of all those who value their life, liberty and property to take appropriate action—intellectual and social—to preserve and extend their freedom.*

*We as libertarians resolve to resist all forms of involuntary collectivism and all programs and activities of government which violate our rights and attempt to take from us the ability to set our own goals and to determine our own destiny.*

*We work for the day when all individuals are free, and we look forward to a society of peace, plenty and freedom where the individual's rights are truly politically inalienable. As advocates of reason and liberty we seek and will settle for no less than:*

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DONALD C. ERNSBERGER



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