## Oklahoma Libertarian

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### The Austrian School's Advice: The Government Should Stay Out of the Economy and Let It Adjust Itself

In economics as in the churches, a time of troubles is likely to bring a revival of "the old-time religion," the fundamentalism of an earlier, less sophisticated age. With forecasts going awry, inflation running out of control, and the Administration swinging toward strict budgetary restraints, an increasing number of today's economists are taking another look at the theories of the "Austrian School," the most fundamentalist of all modern economic disciplines.

The U.S. branch of the Austrian School traces its origins to Friedrich von Hayek and the fate Ludwig von Mises, both highly articulate preachers of laissez-faire principles. Their disciples' beliefs include:

• The only moral, as well as practical, system of political economy is strict laissez-faire capitalism.

• The cause of both inflation and periodic depressions is government tinkering with the monetary system. The only solution is to abolish central banking and return to a pure gold standard. • A depression can be a wholesome cleansing of the economy, more like a necessary medicine than a social disaster.

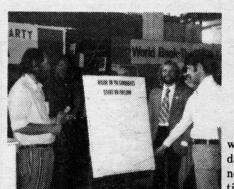
• It is impossible for monopoly problems to arise in a free market, so the antitrust laws are unnecessary and mischievous.

All this may sound hopelessly unrealistic and ideological to businessmen used to a generation of intensely practical economists who manipulate statistics and build massive mathematical models. The Austrians follow the European tradition of pure theorizing, relying on logic rather than on evidence to make their case. But at least part of their thinking has found its way into practice.

Alan Greenspan, the recently appointed chairman of the President's Council of Economic Advisors, has been influenced by some Austrian views. Says Greenspan: "I wouldn't call myself an Austrian economist, since I'm suspicious of all economic labels, but there is a lot that I agree with in Austrianism." He singles out the Austrian emphasis on laissez-faire economic policy, which is not surprising, given his esteem for philosophernovelist Ayn Rand, who is an admirer of von Mises. According to Greenspan, "One of von Mises' greatest achievements was his perceptive demonstration of the incapability of rational economic planning under socialism."

Last June, in the little town of South Royalton, N.H., some 60 economists and graduate students held a weeklong conference in an attempt to revive the century-old Austrian tradition. The leaders of the conference, Murray N. Rothbard of the New York Polytechnic Institute, Israel M. Kirzner of New York University, and Ludwig M. Lachmann of the University of the Witwatersrand, South Africa, regard themselves as the present day disciples of von Mises and von Hayek. They see the conference as the first step in setting up a graduate program where their young students can study "Austrian alternatives to the stultified economic orthodoxy of the day."

[See AUSTRIAN SCHOOL, p. 2]



By Sam Hays Chairman LPO State Fair Project

The Libertarian Party of Oklahoma concluded its second State Fair Booth in Oklahoma City on September 29th.

This year's fair booth centered around a voter information service with a large poster of the Nolan XY Political Spectrum graph as the main attraction.

The graph initiated several interesting discussions and exposed many Libertarians or potential Libertarians. Candidates for the major offices in Oklahoma were plotted on the graph along with national figures and organizations.

Information for the graph was obtained primarily through three methods. Dave Nolan, the first National Chairman of the Libertarian Party, furnished information on the national figures and organizations. Voting records

#### LPO Concludes Second State Fair

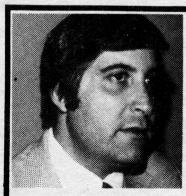
were used for the major candidates when those candidates did not return our State Fair Questionnaire.

The State Fair Questionnaire was comprised of twenty questions probing the candidates position on freedom. Ten questions concerned "Left" or social freedoms and ten questions concerned "Right" or economic freedoms. For each correct, 100% yes, answer the candidate received ten percentage points. points.

Out of two hundred four questionnaires mailed out, only twenty seven were returned in spite of the fact that a self-addressed stamped envelope was included with each questionnaire.

Why many candidates did not return their questionnaire will remain a mystery. I suspect, however, most of the candidates did not want to go on record on specific issues. They do not want the public to know what they think.

[See FAIR, p. 3]



Voters in the Oklahoma City area have an opportunity to register their discontent with the political status quo and to say yes to a positive alternative in the November 5th election. Mickey Edwards offers the strongest challenger ever to the 5th Congressional District seat held by John Jarman for the past 24 years.

Many political analysts have given only cursory attention to this race because they see it as just one conservative attempting to out-conservative another. No-

### **Oklahoma Libertarian Endorses Mickey Edwards**

thing could be further from the truth. As our interview with Mickey Edwards shows, what we really have is a libertarian squaring off with a man who represents all the perjorative connotations of the word "conservative." and none of the virtues. Edwards is in disagreement with libertarian positions only in the areas of some victimless crime legislation, and most of that is prompted more by consideration of the prejudices of the public at large than by philosophical disagreement with libertarian principles. Therefore, while Mickey Edwards is not a "pure" libertarian, he is close enough that he will serve a function similiar to the libertarian-oriented members of Congress like Phil Crane, Steve Symms, and H.R. Gross in obstructing the march toward statism and offering alternatives in the direction of individual rights.

John Jarman is one of the finest examples of the type of politician who has moved this country toward the brink of economic chaos and civil disorder. While Jarman describes him-

self as "a conservative democrat who has adhered to the principles of individual rights, states' rights and more limited federal government," in practice he is just another supporter of big

government special interest groups, and the status quo.

Jarman received his BA at Yale in 1937 and his law degree at Harvard in 1941. During these [See EDWARDS, p.4]

#### .. Supports Jim Inhofe For Governor

Until a few weeks ago, I had taken very little interest in the race for governor. Both candidates were billed as reformers in a campaign with no major issues other than reform itself. Then I had the opportunity to hear both men speak before a university audience. At the conclusion I was an enthusiastic supporter of Jim Inhofe.

'The essential difference between Inhofe and David Boren stems largely from their occupational orientation and in their method of campaigning. Inhofe is a businessman, Boren, an

academic bureaucrat. Businessmen invest resources in productive enterprises to meet the needs of consumers in hopes of making a profit. A profit-making orientation is a spur toward rationality, the highest use of resources, and maximum ef-ficiency. This attitude shows itself when Inhofe offers detailed, specific plans for cutting budgets, instituting performance evaluations, and cutting out waste and corruption in government. Moreover, a hard headed business approach is required to deal with the massive economic

problems which will face us through the end of the decade. David Boren, on the other hand, is an academician. Universities and public schools are rigid bureaucracies. Bureaucracies are [See INHOFF, p. 4]



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## ...Austrian [Continued from p. 1]

The time problem. The Austrians see the economy as a process that unfolds over time. They reject static equilibrium models used by most other economists, and they argue that in the changing economy, the free market is the best method of allocating resources. Not only does Adam Smith's invisible hand exist, contend the Austrians, but it is sure-fingered and deft.

The basic cause of trouble, as they see it, is governmental inierference. All attempts to "fine tune" the economy result in disaster. Especially damaging is

the government's creation of money that is completely unrelated to market decisions. "Governments are inherently inflationary because they have been granted the function of money creation, and it's only human nature to make the most of this kind of power," contends Rothbard.

In Austrian theory, creation of money always leads to inflation as the extra pieces of paper "chase" the constant supply of goods and services. But in the first stages of credit expansion. prices rise very slowly because people tend to hold onto much of the extra money in the hope of cashing in when prices return to a lower "normal" level. Mean-



while, the government is encouraged, for its monetary expansion has netted it funds without, seemingly, any bad results. But as the government continues to pump money into the system, people come to expect inflation, and instead of holding onto their money, they begin to spend it before it loses even more of its value. And then inflation becomes explosive.

The pace of inflation becomes quicker than the government's money creation. It takes on a life of its own, independent of the government, as people flee from money into goods-any goods.

The Austrian solution. Very few economists would go along with the Austrian prescription to "go cold turkey" and completely stop increasing the money supply, not merely decrease the rate of increase. Even fewer would buy their monetary program: a resurrection of the gold standard, a 100% gold-backed dollar, repeal of legal tender laws, and abolition of the Federal Reserve System and of all central banking.

But to the faithful, these prescriptions follow logically from a basic distrust of government and a firm belief in the efficiency of a pure market economy. The Austrians see the gold standard not as some "relic from the past" but as society's voluntary investment in anti-inflation insurance, since it is impossible for governments to inflate gold as they do paper money. Says Rothbard: "The Austrians are not willing to rely on government fiat currency and central banking as a bar against inflation. That would be like inviting the fox in to guard the chicken coop."

Moreover, argue the Austrians, the evil effects of government interference with the money supply do not stop with inflation. The creation of nonredeemable money is also responsible for the business cycle. The key to this argument is the concept of a "real" rate of interest, distinct from the market rate.

In the absence of government intervention, the proper allocation of resources will depend upon people's time preferences. translated roughly into "impatience." If people are very impatient to enjoy present consumption, that will show up as a high real rate of interest, a strong consumer industry, and a relatively weak capital goods sector. If they are less impatient, the real interest rate will fall, and some investment will flow out of the consumer goods industries and into a heavier capital structure.

**Overinvestment**. The cause of the cycle in the Austrian view, is that the government, through its expanionary monetary policy, artificially keeps the real rate of interest lower than it would otherwise have been. This leads to a reallocation of resources that has nothing at all to do with total expenditures. Explains Kirzner: "During the artificial boom, there is overinvestment in the basic capital goods industries and

# Interviewers: Porter Davis Jim Rushing.

Linda Rushing

OL: If elected what do you want to do in Congress?

Edwards: I've pledged that stopping busing will be one of my top priorities. I intend to put one attorney on my staff to work full time on ways to stop busing. Any government big enough to bus your children can do anything to you. It's a symptom of how big government has gotten and that's where you have to draw the line.

Also, I want to require that every piece of legislation coming to the floor of the House **Representatives have attached** to it a General Accounting Office estimate of what that bill is going to cost the individual taxpayer by amount of earnings. Then, any Congressman who votes for a bill will have to know what that bill is going to cost the people and the people in his district are going to know.

Another thing I want to get done is passage of legislation which requires that every bill that's introduced will have hearings with both sides being invited to testify. That's not done now. There are many bills passed without hearings in the House and many hearings are held with only one side invited to testify. One thing I would like to see...and I admit this will be hard to do... is a limit on how many

underinvestment in secondary capital and in consumer goods."

What happens then is a struggle between the government's expansionary monetary policy, which is trying to validate the overinvestment in heavy capital and the people, who are ever trying through their saving and spending decisions, to establish an allocation of resources more in line with their time preferences: less capital and more consumer goods. Eventually the government comes to fear the inflation its monetary policy has caused. It "tightens up" and thus ceases to protect the irrational investments made in heavy capital. Industrial and financial bankruptcies ensue, ushering in the depression. But the Austrians are careful to point out that it is not the tightening-up that causes the depression-that had to occur eventually or the economy would be plunged into hyperinflation. It was rather the initial expansionary monetary policy that caused it.

Says Professor Walter Grinder of Rutgers: "It's not that we look favorably upon depressions or recessions. It's just that they are necessary after a bout of antisocial overinvestment in capital, engendered by expansionary monetary policy."

Since they regard a recession as a healthy purgative, the Austrians believe that govern-

terms a person can serve. I think the limit for the House of Representatives should be ten years and the limit for the U.S. Senate two terms or twelve years.

OL: What do you think of a constitutional amendment that would require that any increase in taxes be submitted to a vote of the people?

Edwards: I'd be in favor of that. I'd like to see a budget-balancing amendment to the Constitution similar to the one we have in Oklahoma. Jarman has a so-called budget-balancing amendment that he introduced in April of this year. But what his bill says is that the President and the Speaker of the House will determine how much money they intend to spend and then they'll impose an automatic surtax to make up any deficit. I think it's stupid. All it does is give the government a blank ckeck to keep on spending and raise the taxes and just blame it on everybody else. All the Congressmen have to do is go back to the people in their district and say, "Well, look, my bill isn't the one that raised your taxes. My bill falls well within the budget requirements. It was that guy over in Connecticut whose bill did it."

OL: Does John Jarman occupy a top spot in Congress? Edwards: He's chairman of the subcommittee on Transportation

ment should do nothing to moderate it. They prescribe a complete laissez-faire, or do-nothing, attitude. Businesses should be allowed to fail and unemployment to rise, for, "It is only through this painful medicine that the economy can be cured," says Grinder. The Austrians contend that not only Roosevelt but also Hoover ignored this advice and tried to prop up bankrupt businesses with loans and subsidies and to "cure" unemployment with make-work projects. In their view, this only dragged out the process by which the economy was purged of its previous bad investments.

Even economists who sympathize with other aspects of Austrian theory balk at the idea of letting the economy go into a depression without making any effort to stop the downward spiral. But the past year has provided an attentive audience for anyone who offers an alternative to the fumbling attempts at fine tuning. Kirzner points to increasing interest in the Austrian School among graduate students and young faculty members. And Rothbard predicts that the movement will pick up speed. "Just wait," he says, "until we establish a graduate school."

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An Interview With Mickey Edwards

and Aviation. He was the chairman of the Public Health subcommittee and he resigned it. He said he wasn't interested in health. Recently the House voted to transfer most of the jurisdiction of the Transportation subcommittee to another committee. Can you see them doing that to Wilbur Mills? Jarman voted against it, but he wasn't effective in stopping it. I don't see Jarman as malevolent. He votes wrong a lot, but he's just totally ineffective.

### **OL:** What is your position on government health care?

Edwards: Anti. I've been asked what my alternative is to national health insurance. My alternative is private enterprise...private medicine. It's provided the best health care any society's ever had. But there is something I came up with I consider a valid conservative or libertarian answer.

Consider that the people in government contend that nobody can afford health care. They say it's too expensive. They want something done about it. If that's true...and I know it isn't...that's what my book (Hazardous to Your Health) refutes..but suppose it were true, then the best they could do would be to stop taking people's money away from them in taxes. What I propose is - a cotal tax credit on health care expenses. If you spend whatever number of dollars on health insurance, hospital, doctor, whatever, then, you figure your taxes and at the bottom line you simply subtract everything you have spent on health care. That way your're going to have the money available to pay for your health care because the government won't be taking it away from you in taxes. I think most people could administer their money cheaper than the government can. Incredibly, some conservatives have told me that a taxcredit is a socialistic government subsidy. But only if you first assume that the government has the right to the money before you do in the first place, then by not taking away from you they're subsidizing you. On the other hand, if you assume that people have the right to their money ir the first place and not the government, then it's not a subsidy. Instead you're just blocking the government from taking away the money people need to pay for their health care.

OL: What are your views on inflation?

Edwards: The first cause of inflation, and what you have to stop, is too much government deficit spending. Government starts programs and instead of raising taxes to pay for them, which would not be inflationary, they just run off more paper money to pay for them. People understand that. Jarman cast the deciding vote to increase the national debt by \$95 billion.

Everytime he does that your grocery bills go up and so does everything else. Had I been there instead of John Jarman the national debt would not have been increased.

## OL: How do you stand on the national defense?

Edwards: My thinking is twofold. I think our national defense is very inadaquate. Our missles are not as powerful as the Russian missles, the Russians have better bombers, better submarines and the U.S. Army has been reported to have a shortage of combat tanks. But ] think the military budget can be cut. I think the problem lies in lack of effective weapons to defend ourselves. We need to reduce the military bureaucracy, the waste and thereby increase our military effectiveness. I don't consider the military a sacred cow. I don't think it's contradictory to increase our military preparedness and decrease the cost of the military overall.

**OL:** What is the outlook for the country in the next few years? Edwards: Well, I'm an incurable optimist. But if the government doesn't do things differently very soon, I see the future as complete bankruptcy. I don't think that's going to happen though. I think people have reached the point where they're going to the polls to vote "No". They want a change. People are not accepting the old clinches anymore. The government keeps saying, "Look, you people are going to have to bite the bullet." But too many people ralize now that they have been biting the bullet. They're reaching the point where they can't sacrifice anymore. People are finally saying to government: "Wait a minute. We're not going to go along with that."

If we could look ten years into the future, I think we would see a Congress full of people like Steve Symms of Idaho and Phil Crane of Illinois, and consequently a government that spends less, regulates less and taxes less. It won't happen without work, but all the seeds are there. The people are ready.

OL: How's the media handling your campaign? Edwards: I think fairly.

OL: Would you care to predict the outcome?

Edwards: I think I'm going to win, but even if I don't from now on people are going to be standing in line to run against John Jarman. I'm convinced that if I don't win it won't be over the issues, but because enough people didn't know enough about my campaign. I've never run f anything, so a lot of people didn't know anything about me. Since we started going door-to-door in the spring, I think I've overcome a lot of that.

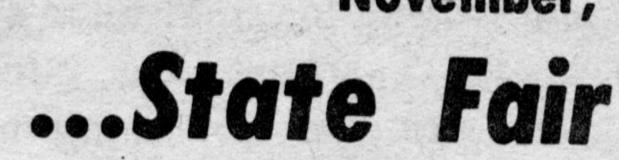
OL: What is your opinion of the libertarian movement and the Libertarian Party? Edwards: I think there is a danger of libertarians falling into the same trap as conservatives. They sit and talk about conservative movement and there isn't one. There is conservative sentiment, but that doesn't make a movement until it's focused. I think there is a great deal of libertarian sentiment, but it's not a movement The Libertarian Party can or cannot be a good thing. If all it does is draw capable people out of either of the major parties who then just spend time talking philosophy with people who agree with them, then it's a waste of time. In fact, if that's what it does, then I think it does disservice.

**OL:** What are your differences with the Libertarian Party platform?

Edwards: I haven't seen the LP platform in a long time. I can tell you the basic libertarian positions I disagree with. One is legalization of pot. I don't favor that. One is legalization of prostitution. I don't favor that. One is amnesty. I don't favor an unconditional amnesty. Another is abortion. It's my personal view that medically an abortion is murder. I think that a fetus is really a human being. What determines your humanity is your mind. What determines death is when your brainwaves stop. So, what determines your humanity...being alive as a human being...is when your brain waves start. There might be a few other things, but those are the main points of disagreement.

OL: What are the main sources of your contributions? Edwards: I have received only one individual contribution of \$1,000 and a couple of \$500 the Conservative Victory Fund has given me and everything else has come from individuals mostly \$100 or less. We get envelopes with a couple of \$1 bills in them.





## [Continued from p. 1]

The candidates' questionnaires were available at the State Fair for examination and fair-goers were invited to take the questionnaire to see if they agreed with the candidates. Over one hundred fair-goers did take the questionnaire, and many were closer to the Libertarian position than to the position of the two major parties.

Among the candidates returning questionnaires were Jim Inhofe, Republican candidate for governor, who scored 671/2% Left and 85% Right and Mary Helm, Republican candidate for tion.

OL: If you don't win this cam- D paign, will you run again?

Edwards: If we have a close h election, probably. If I get wiped out, then obviously the people don't want me and somebody else will have to do it. But if I do win, then I'm going to follow my own suggestion, and if the people re-elect me I won't serve more than 10 years. I just don't think that's right.

OL: Do you think the Watergate affair will affect the outcome of your campaign? Edwards: No.

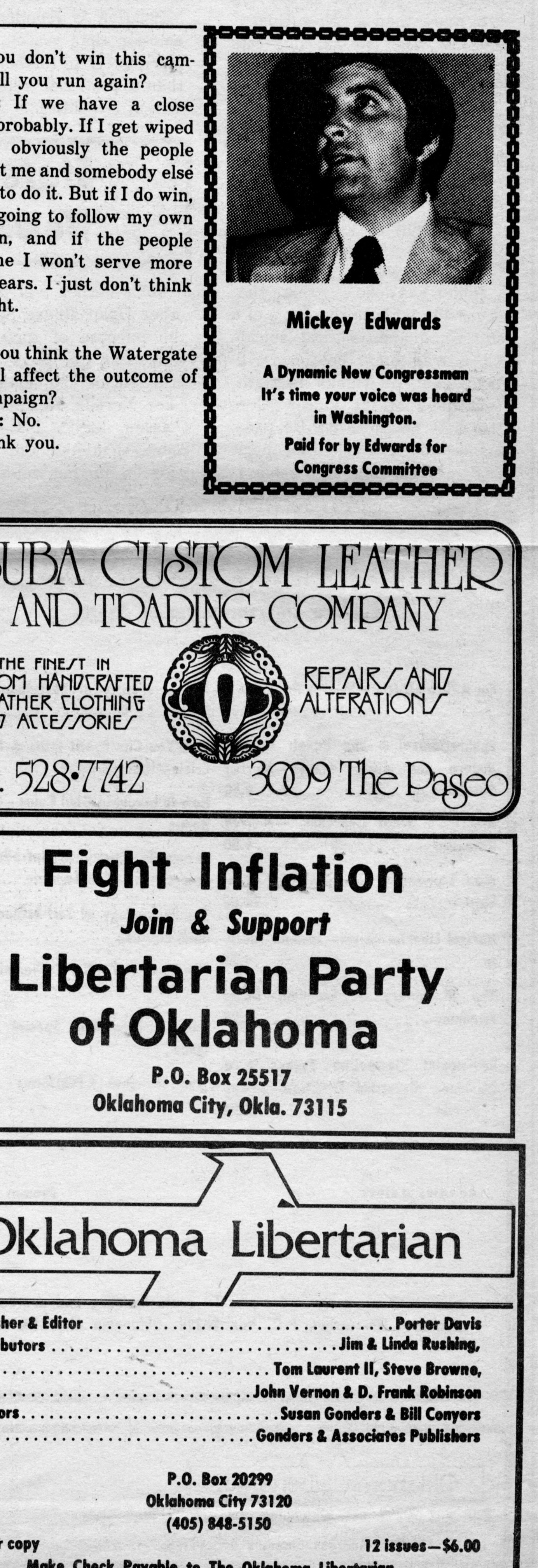
OL: Thank you.

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State Senate District 46 in Oklahoma City, who scored an amazing 90% Left and 971/2% right.

The interest shown in Libertarian philosophy and politics by the general public as well as several candidates at the State Fair proves that the spirit of individual freedom is alive and well. However, the rhetoric of most candidates of both major political parties and the heads of literally all bureaucratic agencies has been designed to confuse the general public, and, therefore. will require a long educational campaign by Libertarian candidates regardless of party affilia-



#### 4 • Oklahoma Libertarian • November, 1974 ment testing for children in state .Inhofe

#### [Continued from p. 1]

not consumer-oriented, but are self-serving. Advancement depends not so much on ability and service, but on how you play the game. Bureaucracies are excellent training grounds for traditional politicians. Don't make waves, do what you are told, kiss the right familes, and you have got it made. This attitude is apparent as Boren speaks largely in broad generalities, stays away from controversial issues, and flip-flops on issues, depending upon the type of audience.

Boren speaks of sweeping out the "Old Guard." Yet, for all his rhetoric he seems to be offering litle more than a "New Guard' for the same special interests that desire protection. He is backed by the major newspaper's in the state, as well as the AFL-CIO and the largest power block, the OEA. While he captures popular support with reform rhetoric, he is carefully garnering the support of the powers that constitute the state's political status quo.

Inhofe has done one thing that is considered both the mark of a statesman and political suicide for a traditional politician. He says what he thinks is right, regardless of the power blocs that may be alienated. He stuck his neck out and called for merit pay for teachers and achieve-

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schools. Teachers are bureaucrats, and the last thing most bureaucrats want is to be paid according to their ability. Perhaps he had nothing to lose since the OEA had already replaced David Hall with David Boren as

the champion of their interests. Since neither man is a libertarian, and therefore, inconsistent on liberty, perhaps it is futile even to take sides. Yet, there is no doubt that we will be better off with a business-like approach to government than a bureaucratic approach. Moreover, since Inhofe is not afraid to speak out on issues, since he is almost consistently for free enterprise, and since he admits that his support of victimless crime legislation is founded more on emotion than reason, he seems more likely to further our goals than a professor whose specialization is politics.

State

News

John Vernon will present an-

other Open House Seminar for

the purpose of socializing and

answering questions about Lib-

ertarianism, November 24 at

Chez Vernon Restaurant, 3009

Classen, OKC, 5-9 p.m. The

public is invited. Call (405) 525-

0457 for further details.

Libertarian Book Service

Explore Libertarianism in depth.

#### Edwards [Continued from p. 1]

years he was rubbing shoulders and mixing ideas with the same people who were the first generation of what has become known as "The Eastern Liberal Establishment", "The Power Elite," or "The Ruling Class." Jarman's young mind was being tainted by the New Deal's infatuation with powerful government at the time he was defining his view of the world. That he is billed as a conservative makes no difference to those who are learning to analyze politics from the libertarian perspective. Most liberals and conservatives today can be seen only as variations on the same theme-the ever increasing encroachment of the government into every aspect of our lives.

Dan Phillips of Stillwater has assumed the job of statewide coordinator for the Libertarian Alternative. Dan has been doing excellent organizational work at O.S.U. and has received newspaper coverage in the Stillwater newspapers. If you are interested in getting more information on the L.A. or perhaps starting your own group, call Dan at (405) 372-0080.

The eighteen member O.S.U. Libertarian Alternative has been granted a provisional charter by the Student Senate. The next meeting is Monday, November 11, at 7:20 p.m. in the O.S.U. Student Union. Porter Davis will be speaking on the outcome of the elections and whatever significance they may have for the future of libertarianism. Call Dan for further information.

Jarman ran for office as soon as he finished his military service in 1946. He was elected and has been a professional politician ever since. Unlike most career politicos, Jarman has led a rather quiet and undistinguished existence in Washington. He rarely speaks on the floor, is absent on many crucial votes, and seems to have no higher political ambition that to get re-elected. His profile has been so low, that there are numerous stories about some of his long-term colleagues in the House of Representatives who don't even know who he is!

Hal Evry, a succesful campaign consultant, has called Jarman his "ideal of a congressman of the United States, " but not because Jarman is a statesman. Rather, "he's the greatest of all because he keeps his mouth shut, does what he's supposed to do and he doesn't run around saving a bunch of crazy things like most candidates do. He just gets re-elected every two years." To do this, Jarman avoids issues which have pros and cons (because you are bound to lose someone's vote if you take a stand) and he talks about things which everyone likes.

What is the point of being a politician, then, if one is not at least posturing as a champion of the people and taking an active role in the activities of Congress? (These are not in themselves valid reasons for libertarians to be active politically, but they

with opinions and news from an alternative-the libertarian perspective. In this age of double think and media manipulation it is a especially important to cut through the double talk and outright lies to cultivate and preserve a clear, consistent view of the world we live in. If you find the articles we have been publishing of value in achieving this goal, please subscribe so we can keep the ideas flowing. As our circulation base builds we will be able to produce a larger paper.

The economic situation promises only to get worse. Neither the Ford Administration nor the Congress have indicated that they are willing to take the painful, but necessary steps to stop inflation: have a short depression and rebuild for a new prosperity. As the article on the Austrian school shows, there is no other way. Unfortunately, the Treasury's printing presses are in high gear and national production is dropping. We have a prescription for unprecedented disaster, and the sooner each one of us faces this fact, correctly identifies government counterfeiting and intervention into production and trade as the root cause of our problems, the sooner we will be able to take the necessary personal and political steps to solve this problem.

provide the rationale for most politicians.) The special interests of the state capitalists are often served best by those with low profiles. This is the function that John Jarman seems to serve best.

Jarmon is the chairman of the House transportation subcommittee. In 1972 he received \$12,500 in campaign contributions from railroads and air lines. Until 1970 he headed the Public Health and Welfare Subcommittee of the Commerce Committee. In 1972 he received \$7,300 from various medical and pharmaceutical lobbies. Of \$66.351 raised in campaign contributions in 1972, only \$7,100 came from within the state of Oklahoma.

As one journalist asked, "Just whose pussycat is he?" Jarman, himself, gave a clue in April of 1974 when he introduced in the committee he chairs, legislation which would provide operating subsidies to Pan American World Airways to the tune of \$265.4 million in the first year and \$10.2 million a month after that! He also supported in 1973 the establishment of large federally-subsidized health care clinics to the tune of \$240 million a year.

While Jarman says he supports reducing federal spending in order to fight inflation, he has voted just the opposite. He cast the deciding vote in 1973 on legislation to increase the national debt by \$95 million. Likewise he cast the deciding vote against the legalization of gold ownership in that same year. He has recently voted to use taxes guarantee loans to foreign countries at less than one percent interest repayable over 50 years. He has also voted against requiring cash payment by foreign countries for wheat and other commodities. In April 1974 he introduced a bill which would increase taxes in order to balance the federal budget. Jarman's method of fighting inflation is equivalent to fighting fires with gasoline.

The voters of Metro Oklahoma City have a genuine opportunity November 5th to say NO to John Jarman and government as usual by voting for Mickey Edwards. Moreover, they can say YES to individual rights and libertarianism with a vote for Mickey Edwards. Just think of it-no more of those stone-faced pictures of John Jarman which have beckoned us to come visit him at the Post Office for as long as anvone can remember. No more of those phony surveys mailed at our expense to us before the primary elections so we can "let him know what we think." John Jarman is a perfect symbol of the rise of the corporate state and the suppression of human liberty. Let's send him a message he won't forget.

Take a bite out of government. Vote for Mickey Edwards.

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Send check or money order plus 50 cents handling and postage to Oklahoma Libertarian, P.O. Box 20299, Oklahoma City, OK 73120		Since this is no longer an official
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## ...Austrian [Continued from p. 1]

The time problem. The Austrians see the economy as a process that unfolds over time. They reject static equilibrium models used by most other economists, and they argue that in the changing economy, the free market is the best method of allocating resources. Not only does Adam Smith's invisible hand exist, contend the Austrians, but it is sure-fingered and deft.

The basic cause of trouble, as they see it, is governmental inierference. All attempts to "fine tune" the economy result in disaster. Especially damaging is

the government's creation of money that is completely unrelated to market decisions. "Governments are inherently inflationary because they have been granted the function of money creation, and it's only human nature to make the most of this kind of power," contends Rothbard.

In Austrian theory, creation of money always leads to inflation as the extra pieces of paper "chase" the constant supply of goods and services. But in the first stages of credit expansion. prices rise very slowly because people tend to hold onto much of the extra money in the hope of cashing in when prices return to a lower "normal" level. Mean-



while, the government is encouraged, for its monetary expansion has netted it funds without, seemingly, any bad results. But as the government continues to pump money into the system, people come to expect inflation, and instead of holding onto their money, they begin to spend it before it loses even more of its value. And then inflation becomes explosive.

The pace of inflation becomes quicker than the government's money creation. It takes on a life of its own, independent of the government, as people flee from money into goods-any goods.

The Austrian solution. Very few economists would go along with the Austrian prescription to "go cold turkey" and completely stop increasing the money supply, not merely decrease the rate of increase. Even fewer would buy their monetary program: a resurrection of the gold standard, a 100% gold-backed dollar, repeal of legal tender laws, and abolition of the Federal Reserve System and of all central banking.

But to the faithful, these prescriptions follow logically from a basic distrust of government and a firm belief in the efficiency of a pure market economy. The Austrians see the gold standard not as some "relic from the past" but as society's voluntary investment in anti-inflation insurance, since it is impossible for governments to inflate gold as they do paper money. Says Rothbard: "The Austrians are not willing to rely on government fiat currency and central banking as a bar against inflation. That would be like inviting the fox in to guard the chicken coop."

Moreover, argue the Austrians, the evil effects of government interference with the money supply do not stop with inflation. The creation of nonredeemable money is also responsible for the business cycle. The key to this argument is the concept of a "real" rate of interest, distinct from the market rate.

In the absence of government intervention, the proper allocation of resources will depend upon people's time preferences. translated roughly into "impatience." If people are very impatient to enjoy present consumption, that will show up as a high real rate of interest, a strong consumer industry, and a relatively weak capital goods sector. If they are less impatient, the real interest rate will fall, and some investment will flow out of the consumer goods industries and into a heavier capital structure.

**Overinvestment**. The cause of the cycle in the Austrian view, is that the government, through its expanionary monetary policy, artificially keeps the real rate of interest lower than it would otherwise have been. This leads to a reallocation of resources that has nothing at all to do with total expenditures. Explains Kirzner: "During the artificial boom, there is overinvestment in the basic capital goods industries and

# Interviewers: Porter Davis Jim Rushing.

Linda Rushing

OL: If elected what do you want to do in Congress?

Edwards: I've pledged that stopping busing will be one of my top priorities. I intend to put one attorney on my staff to work full time on ways to stop busing. Any government big enough to bus your children can do anything to you. It's a symptom of how big government has gotten and that's where you have to draw the line.

Also, I want to require that every piece of legislation coming to the floor of the House Representatives have attached to it a General Accounting Office estimate of what that bill is going to cost the individual taxpayer by amount of earnings. Then, any Congressman who votes for a bill will have to know what that bill is going to cost the people and the people in his district are going to know.

Another thing I want to get done is passage of legislation which requires that every bill that's introduced will have hearings with both sides being invited to testify. That's not done now. There are many bills passed without hearings in the House and many hearings are held with only one side invited to testify. One thing I would like to see...and I admit this will be hard to do... is a limit on how many

underinvestment in secondary capital and in consumer goods."

What happens then is a struggle between the government's expansionary monetary policy, which is trying to validate the overinvestment in heavy capital and the people, who are ever trying through their saving and spending decisions, to establish an allocation of resources more in line with their time preferences: less capital and more consumer goods. Eventually the government comes to fear the inflation its monetary policy has caused. It "tightens up" and thus ceases to protect the irrational investments made in heavy capital. Industrial and financial bankruptcies ensue, ushering in the depression. But the Austrians are careful to point out that it is not the tightening-up that causes the depression-that had to occur eventually or the economy would be plunged into hyperinflation. It was rather the initial expansionary monetary policy that caused it.

Says Professor Walter Grinder of Rutgers: "It's not that we look favorably upon depressions or recessions. It's just that they are necessary after a bout of antisocial overinvestment in capital, engendered by expansionary monetary policy."

Since they regard a recession as a healthy purgative, the Austrians believe that govern-

terms a person can serve. I think the limit for the House of Representatives should be ten years and the limit for the U.S. Senate two terms or twelve years.

OL: What do you think of a constitutional amendment that would require that any increase in taxes be submitted to a vote of the people?

Edwards: I'd be in favor of that. I'd like to see a budget-balancing amendment to the Constitution similar to the one we have in Oklahoma. Jarman has a so-called budget-balancing amendment that he introduced in April of this year. But what his bill says is that the President and the Speaker of the House will determine how much money they intend to spend and then they'll impose an automatic surtax to make up any deficit. I think it's stupid. All it does is give the government a blank ckeck to keep on spending and raise the taxes and just blame it on everybody else. All the Congressmen have to do is go back to the people in their district and say, "Well, look, my bill isn't the one that raised your taxes. My bill falls well within the budget requirements. It was that guy over in Connecticut whose bill did it."

OL: Does John Jarman occupy a top spot in Congress? Edwards: He's chairman of the subcommittee on Transportation

ment should do nothing to moderate it. They prescribe a complete laissez-faire, or do-nothing, attitude. Businesses should be allowed to fail and unemployment to rise, for, "It is only through this painful medicine that the economy can be cured," says Grinder. The Austrians contend that not only Roosevelt but also Hoover ignored this advice and tried to prop up bankrupt businesses with loans and subsidies and to "cure" unemployment with make-work projects. In their view, this only dragged out the process by which the economy was purged of its previous bad investments.

Even economists who sympathize with other aspects of Austrian theory balk at the idea of letting the economy go into a depression without making any effort to stop the downward spiral. But the past year has provided an attentive audience for anyone who offers an alternative to the fumbling attempts at fine tuning. Kirzner points to increasing interest in the Austrian School among graduate students and young faculty members. And Rothbard predicts that the movement will pick up speed. "Just wait," he says, "until we establish a graduate school."

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An Interview With Mickey Edwards

and Aviation. He was the chairman of the Public Health subcommittee and he resigned it. He said he wasn't interested in health. Recently the House voted to transfer most of the jurisdiction of the Transportation subcommittee to another committee. Can you see them doing that to Wilbur Mills? Jarman voted against it, but he wasn't effective in stopping it. I don't see Jarman as malevolent. He votes wrong a lot, but he's just totally ineffective.

### **OL:** What is your position on government health care?

Edwards: Anti. I've been asked what my alternative is to national health insurance. My alternative is private enterprise...private medicine. It's provided the best health care any society's ever had. But there is something I came up with I consider a valid conservative or libertarian answer.

Consider that the people in government contend that nobody can afford health care. They say it's too expensive. They want something done about it. If that's true...and I know it isn't...that's what my book (Hazardous to Your Health) refutes..but suppose it were true, then the best they could do would be to stop taking people's money away from them in taxes. What I propose is - a cotal tax credit on health care expenses. If you spend whatever number of dollars on health insurance, hospital, doctor, whatever, then, you figure your taxes and at the bottom line you simply subtract everything you have spent on health care. That way your're going to have the money available to pay for your health care because the government won't be taking it away from you in taxes. I think most people could administer their money cheaper than the government can. Incredibly, some conservatives have told me that a taxcredit is a socialistic government subsidy. But only if you first assume that the government has the right to the money before you do in the first place, then by not taking away from you they're subsidizing you. On the other hand, if you assume that people have the right to their money ir the first place and not the government, then it's not a subsidy. Instead you're just blocking the government from taking away the money people need to pay for their health care.

OL: What are your views on inflation?

Edwards: The first cause of inflation, and what you have to stop, is too much government deficit spending. Government starts programs and instead of raising taxes to pay for them, which would not be inflationary, they just run off more paper money to pay for them. People understand that. Jarman cast the deciding vote to increase the national debt by \$95 billion.

Everytime he does that your grocery bills go up and so does everything else. Had I been there instead of John Jarman the national debt would not have been increased.

## OL: How do you stand on the national defense?

Edwards: My thinking is twofold. I think our national defense is very inadaquate. Our missles are not as powerful as the Russian missles, the Russians have better bombers, better submarines and the U.S. Army has been reported to have a shortage of combat tanks. But ] think the military budget can be cut. I think the problem lies in lack of effective weapons to defend ourselves. We need to reduce the military bureaucracy, the waste and thereby increase our military effectiveness. I don't consider the military a sacred cow. I don't think it's contradictory to increase our military preparedness and decrease the cost of the military overall.

**OL:** What is the outlook for the country in the next few years? Edwards: Well, I'm an incurable optimist. But if the government doesn't do things differently very soon, I see the future as complete bankruptcy. I don't think that's going to happen though. I think people have reached the point where they're going to the polls to vote "No". They want a change. People are not accepting the old clinches anymore. The government keeps saying, "Look, you people are going to have to bite the bullet." But too many people ralize now that they have been biting the bullet. They're reaching the point where they can't sacrifice anymore. People are finally saying to government: "Wait a minute. We're not going to go along with that."

If we could look ten years into the future, I think we would see a Congress full of people like Steve Symms of Idaho and Phil Crane of Illinois, and consequently a government that spends less, regulates less and taxes less. It won't happen without work, but all the seeds are there. The people are ready.

OL: How's the media handling your campaign? Edwards: I think fairly.

OL: Would you care to predict the outcome?

Edwards: I think I'm going to win, but even if I don't from now on people are going to be standing in line to run against John Jarman. I'm convinced that if I don't win it won't be over the issues, but because enough people didn't know enough about my campaign. I've never run f anything, so a lot of people didn't know anything about me. Since we started going door-to-door in the spring, I think I've overcome a lot of that.

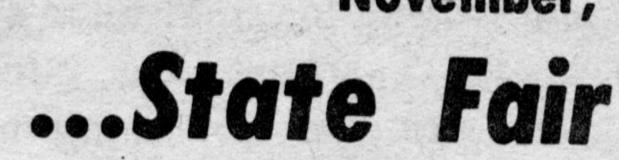
OL: What is your opinion of the libertarian movement and the Libertarian Party? Edwards: I think there is a danger of libertarians falling into the same trap as conservatives. They sit and talk about conservative movement and there isn't one. There is conservative sentiment, but that doesn't make a movement until it's focused. I think there is a great deal of libertarian sentiment, but it's not a movement The Libertarian Party can or cannot be a good thing. If all it does is draw capable people out of either of the major parties who then just spend time talking philosophy with people who agree with them, then it's a waste of time. In fact, if that's what it does, then I think it does disservice.

**OL:** What are your differences with the Libertarian Party platform?

Edwards: I haven't seen the LP platform in a long time. I can tell you the basic libertarian positions I disagree with. One is legalization of pot. I don't favor that. One is legalization of prostitution. I don't favor that. One is amnesty. I don't favor an unconditional amnesty. Another is abortion. It's my personal view that medically an abortion is murder. I think that a fetus is really a human being. What determines your humanity is your mind. What determines death is when your brainwaves stop. So, what determines your humanity...being alive as a human being...is when your brain waves start. There might be a few other things, but those are the main points of disagreement.

OL: What are the main sources of your contributions? Edwards: I have received only one individual contribution of \$1,000 and a couple of \$500 the Conservative Victory Fund has given me and everything else has come from individuals mostly \$100 or less. We get envelopes with a couple of \$1 bills in them.





## [Continued from p. 1]

The candidates' questionnaires were available at the State Fair for examination and fair-goers were invited to take the questionnaire to see if they agreed with the candidates. Over one hundred fair-goers did take the questionnaire, and many were closer to the Libertarian position than to the position of the two major parties.

Among the candidates returning questionnaires were Jim Inhofe, Republican candidate for governor, who scored 671/2% Left and 85% Right and Mary Helm, Republican candidate for tion.

OL: If you don't win this cam- D paign, will you run again?

Edwards: If we have a close h election, probably. If I get wiped out, then obviously the people don't want me and somebody else will have to do it. But if I do win, then I'm going to follow my own suggestion, and if the people re-elect me I won't serve more than 10 years. I just don't think that's right.

OL: Do you think the Watergate affair will affect the outcome of your campaign? Edwards: No.

OL: Thank you.

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State Senate District 46 in Oklahoma City, who scored an amazing 90% Left and 971/2% right.

The interest shown in Libertarian philosophy and politics by the general public as well as several candidates at the State Fair proves that the spirit of individual freedom is alive and well. However, the rhetoric of most candidates of both major political parties and the heads of literally all bureaucratic agencies has been designed to confuse the general public, and, therefore. will require a long educational campaign by Libertarian candidates regardless of party affilia-

