

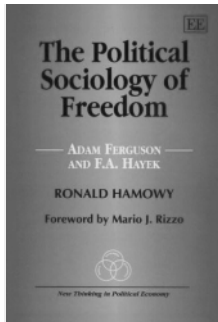
# Book Reviews

## The Political Sociology of Freedom: Adam Ferguson and F. A. Hayek

by Ronald Hamowy

Edward Elgar • 2005 • 265 pages • \$110

Reviewed by Richard M. Ebeling



When I was a young economics major back in the 1970s, one of the standard arguments that many of my professors would hurl at me was: “Your ideal of free-market capitalism may have been all right 200 years ago, when society was a lot simpler, but in a society as complex as ours is today, such a policy of *laissez faire* just won’t work. The complexity of modern life requires the government to interfere and regulate to see that everything works harmoniously, otherwise there would be chaos.” Any reference I made to Adam Smith’s “invisible hand” in *The Wealth of Nations* brought forth mockery and snide remarks.

The idea that a complex social order can arise and function without a human creator who designs and guides it often seems counterintuitive to our everyday experience. All that we consume shows signs of human planning and human action. The farmers plant the crops and bring them to harvest. The manufacturers design and oversee the production processes that bring all desired goods and services to market. All works of art and literature are the result of creative minds that put paint on canvas or words on a page.

Surely, it is said, there must be an overarching design to fit all those individual plans into a society-wide coordinated pattern, just as the pieces of a jigsaw puzzle fit properly together. In the history of ideas, there have been two groups of thinkers who not only challenged that presumption, but who also showed how social order evolves and coordinates the actions of multitudes of people, without a planner imposing a design on everyone: the Scottish moral philosophers and the Austrian economists.

Ronald Hamowy offers a fairly detailed exposition of many of their ideas in *The Political Sociology of Freedom*.

In this series of essays Hamowy traces the development of a theory of spontaneous social order in the works of Bernard Mandeville, David Hume, Adam Smith, Adam Ferguson, and a number of other writers of the eighteenth century. Their premise was that if man and society are to be properly studied and understood, we must use our reason and the historical record to find out what is the actual nature of man and how society’s institutions actually come into existence.

Their conclusion was that man is a frail and imperfect creature, who applies his reasoning to solve problems, but who is also influenced by his passions. Man’s knowledge is far from perfect about his past and current circumstances, and especially weak about what the future might hold. While capable of cruel and violent acts, man’s nature also contains a spirit of benevolence based on his desire and need for the company of others. He is far from the hyper-rationalistic “economic man” that critics of the market later tried to portray him as.

What their study of history demonstrated was that none of the institutions and social norms of interpersonal conduct and commerce had been introduced by some great and all-knowing philosopher king; nor had their development and change over the centuries been anticipated or even thought about by those whose actions brought them into existence. (As the Austrian economist Ludwig von Mises once expressed it, “History is made by men. . . . But the historical process is not designed by individuals . . . . The Pilgrim Fathers did not plan to found the United States.”)

Instead, the Scottish thinkers argued that language, custom, tradition, law, market rules of conduct and association, and the moral codes of society are the cumulative outcomes of multitudes of people acting and interacting over many generations, resulting in the institutionalized patterns and structures within which men live. Society’s institutions change (usually slowly) over time, as men discover ways to improve their circumstances.

These ideas were captured in what are some of the most famous passages in the works of the Scottish thinkers. For example, Adam Ferguson: “Every step and every movement of the multitude, even in what are termed enlightened ages, are made with equal blindness to the future; and nations stumble upon establishments

[institutions], which are indeed the result of human action, but not the execution of any human design.”

Or Adam Smith: In the market economy, the individual “neither intends to promote the public interest, nor knows how much he is promoting it. . . . He is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was not part of it.”

Hamowy shows that those ideas were a liberating force that freed men from the notion that only the king or a strong political authority could assure order in society. But he also shows that this theory could easily be turned around and used by “conservative” elements who, appealing to custom and tradition, want no significant change to the existing order.

The Austrian economists, beginning with the school’s founder, Carl Menger, have also emphasized the nature and superiority of spontaneous social orders over various systems of government planning and control. That was especially the case with F.A. Hayek, who developed this theme in *The Constitution of Liberty* and *Law, Legislation and Liberty*.

Ronald Hamowy studied under Hayek in the 1960s at the University of Chicago. In the essays devoted to Hayek he combines a sincere appreciation and respect for Hayek’s important contributions to the theory of spontaneous order, while challenging some of his master’s thinking, particularly on the meaning of “the rule of law” and the nature of “coercion.” He defends Hayek against the totally misplaced charge of anti-Semitism, made a few years ago by Melvin Reder in the pages of the *History of Political Economy*. He also discusses the limits of Hayek’s own conception of a political order for a free society.

Hamowy draws a highly complimentary and moving portrait of Hayek, as a scholar, teacher, and mentor. In the 1970s, when I was in my twenties and shortly after he had won the Nobel Prize in economics, I had the good fortune to spend most of two summers in Hayek’s company as a research fellow at the Institute for Humane Studies. He exemplified in all ways the highest learning, kindness, and patience—even when confronted by a brash and know-it-all young man like myself who was determined to “set Hayek right.” He

represented the finest ideal of what one thinks a Nobel laureate should be.



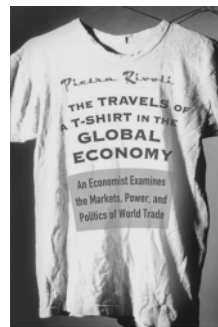
*Richard M. Ebeling (rebeling@fee.org) is the president of FEE.*

### **The Travels of a T-Shirt in the Global Economy: An Economist Examines the Markets, Power, and Politics of World Trade**

by *Pietra Rivoli*

John Wiley & Sons, Inc. • 2005 • 254 pages • \$29.95

Reviewed by Tom Welch



With the increasing trade of goods and services across national borders and the erosion of command economies, the enemies of the market have now become “anti-globalists.” To them, “globalization”—specifically, international trade and investment—is responsible for poverty and deteriorating living conditions, especially in underdeveloped countries.

Prompted by a protester’s assertion about the squalid conditions in which garments are manufactured, Georgetown University business professor Pietra Rivoli set out to find the truth. The result is *The Travels of a T-Shirt in the Global Economy*, in which she traces the provenance of a single commodity: a six-dollar T-shirt. From a Texas cotton field to a textile factory in China, through the nets of Washington bureaucrats to a Florida manufacturer, she follows the product’s life cycle, concluding with its probable fate in an African used-clothing market. In the process, she explores the history of trade in textiles and clothing from the Industrial Revolution to today.

By providing a proper historical perspective, Rivoli underlines the benefits of trade for even the poorest participants. However unpleasant conditions in textile factories have been throughout the ages, workers have willingly sought employment there as an escape from desperate rural poverty. In country after country, the textile industry has provided betterment for workers and their descendants. Especially poignant is Rivoli’s litany of former mill towns across the globe that have pro-

gressed to the forefront of more modern industries. Since a large portion of the workforce in the industry has historically been female, textile manufacturing has also been a driving force in the increasing autonomy of women in many societies. As such, Rivoli calls “nonsensical” the anti-globalists’ efforts to stop the so-called “race to the bottom.” She pointedly asks the protesters whom they would wish to condemn to generations of rural poverty.

Another theme of Rivoli’s work is that there is little trade that is truly free. Her narrative is filled with stories of attempts to manipulate the market through the power of government. From nineteenth-century slavery to today’s taxpayer subsidies and crop insurance, American cotton growers have employed a variety of means to escape the vagaries of the labor market. China uses a system of internal restrictions on freedom of movement to achieve a similar end in the modern textile industry.

Perhaps the most blatant example of protectionism Rivoli encounters is the decades-old, ever-changing, and byzantine regime of textile import quotas imposed by the United States at the urging of a vocal lobby of manufacturers and labor unions. While the regime merely delays domestic textile job losses, it does create employment for armies of bureaucrats worldwide who administer the quotas. Meanwhile, it makes clothing more expensive for consumers, stifles innovation in American textile manufacturing, increases costs for downstream industries, and enriches foreign investors who trade in quotas as derivative instruments. It also taints U.S. diplomatic efforts for freer trade with hypocrisy. Rivoli correctly identifies the mechanism behind the perpetuation of such inefficiencies: the costs, though in the billions of dollars, are widely spread, while the benefits are concentrated.

She also correctly states that the plight of underdeveloped countries is primarily a political issue, not a result of the “cruelty of market forces.” Indeed, the little-publicized trade in used clothing has given ordinary people a shot at improving their situation, notably in countries that have long suffered from the effects of statist economies. Sadly, Rivoli only touches briefly on the crux of the political issue: insufficient rule of law and protection of property rights in many countries.

Even though Rivoli draws the conclusion that the “moral case for trade . . . is even more compelling . . .

than the economic case,” she does not advocate laissez faire. In fact, she claims to have become more sympathetic to the anti-globalists over the course of her study. The efforts of reformers throughout history, she says, have improved the health and safety of industrial workers, often through government fiat. She gives only partial credit to the prosperity caused by industrialization itself, claiming that the “market alone” could not produce such results. Despite her economic expertise, she does not discuss the contribution minimum-wage laws and the like make to unemployment. Nor does she acknowledge that while child labor would be cruel and unnecessary in today’s cotton and textile industries, it could mean the difference between life and death—or a life of prostitution—in less-developed countries, as it did in the West generations ago.

Rivoli admits that her work is anecdotal and unscientific. That aspect could have been one of the narrative’s strengths: it is free of jargon, although it sometimes bogs down in minutiae. Add to that its “hook”—most everyone can identify with T-shirts—and it is appealing and accessible to those unfamiliar with basic economics. Unfortunately, her conclusions may be too half-hearted to change any minds.



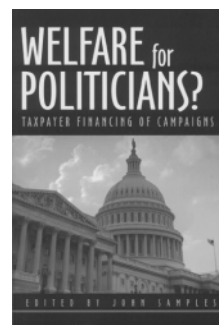
*Tom Welch is a freelance writer in Atlanta.*

**Welfare for Politicians?:  
Taxpayer Financing of Campaigns**

*Edited by John Samples*

Cato Institute • 2005 • 160 pages • \$18.95 hardcover;  
\$12.95 paperback

Reviewed by Bradley A. Smith



Imagine a government policy that funds an important civic function, but is not mandatory; which is paid for not through taxes, but through voluntary contributions; and which adds nothing to the government debt. Sound good? This is a description of the United States’ traditional system of privately funded political campaigns. And the best is yet to come: the

cost falls almost entirely on the wealthiest Americans.

Oddly enough, it is precisely this last factor—the fact that the dissemination of political information in political campaigns is paid almost entirely by voluntary contributions from the wealthiest Americans—that spurs constant calls for “public” financing of political campaigns. According to the “reformers” who promote what are more properly called “government-funded” or “tax-funded” campaigns, the system of voluntary campaign funding results in both political inequality and government corruption. Officeholders ignore the common good to bend to the will of their contributors, and contributors exercise unequal—or “undue”—influence over public policy.

Nevertheless, when given a choice, Americans have shown little desire to have taxpayer money given to candidates. Though it does not raise tax liability, barely one in ten Americans chooses to direct \$3 of his federal income tax to the Presidential Campaign Fund, the country’s longest-running experiment with tax-funded campaigns. In 2002 the Massachusetts legislature placed an initiative before voters to have the government fund campaigns. Voters in that “liberal” state defeated the measure by the largest margin of any ballot initiative in its history.

Supporters of tax-funded campaigns, however, are well-financed—by some estimates, over \$200 million has been spent by groups dedicated to lobbying for “campaign finance reform” since 1995—and persistent. By promoting such ballot initiatives as “clean election” laws, they have succeeded in passing government-financing plans in Arizona, Vermont, and Maine, and hope to take their proposals nationwide. With rare exceptions, there has been no organized resistance to these efforts, and so pro-reform arguments tend to dominate the debate.

*Welfare for Politicians?* is a small but significant effort to redress that imbalance. Editor John Samples, director of the Center for Representative Government at the Cato Institute, and 12 other contributors take apart the arguments for taxpayer-financed campaigns. Or perhaps I should say ten other contributors—two authors, Paul Taylor and Michael J. Malbin—argue, respectively, in favor of “free” television broadcast time and higher government subsidies to campaigns. In other words, this selection of essays is by no means balanced. But it is

always fair, and it makes for a devastating critique of “reform.”

For many, it seems intuitively obvious that privately funded campaigns lead to inequality and corruption. But the evidence tends to show that the opposite is true: a system without limits on private contributions and spending tends to be more open to change and to new ideas, more responsive to voters, and less open to political manipulation. Thus the most powerful essays in this collection are two that succinctly marshal the growing body of evidence supporting privately funded campaigns as the fairest, most open system of funding. “Why Subsidize the Soapbox?” by Samples and Adam Thierer, demolishes the “false assumptions behind free [television] time.” “Reform without Reason: The Scientific Method and Campaign Finance,” by political scientists Jeffrey Milyo and David Primo, begins by noting that “the public debate over campaign finance reform rarely—if ever—makes use of serious scholarly research,” and after summarizing that research, concludes that “conventional wisdom greatly exaggerates the role of money in American politics.”

Other essays similarly demonstrate the failure of government-funded campaign systems. Chip Mellor of the Institute for Justice and Robert Franciosi of the Goldwater Institute demonstrate the failure of “clean election” laws to achieve their objectives in Arizona and show how the law tends to bias elections in favor of supporters of big government. Patrick Basham and Martin Zelder reach similar conclusions after reviewing the results of Maine’s “clean elections” experiment. And Samples demonstrates how taxpayer funding of presidential elections has also failed to meet its stated goals.

What makes these essays impressive is their cumulative power. The authors avoid hot rhetoric in favor of an accessible but relentless recital of actual data. They do not argue that the goals of tax-financed campaigns are wrong, but rather that such campaigns uniformly fail to achieve those goals and in the process damage our democracy. And they conclude that because tax-funding proposals are based on a faulty understanding of how democracy works and the role money plays in democracy, they are destined to fail.



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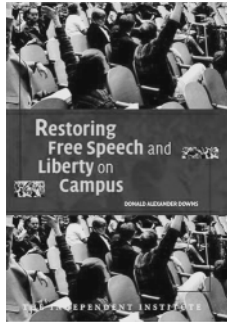
## Restoring Free Speech and Liberty on Campus

by Donald Alexander Downs

Independent Institute and Cambridge University Press

• 2005 • 279 pages • \$25.00

Reviewed by George C. Leef



American colleges and universities are hothouses of hypocrisy, and the principal exhibit is that while their spokesmen talk endlessly about their commitment to openness, tolerance, critical thinking, diversity, and so on, many of them have adopted policies designed to stifle the expression of unpopular sentiments and empower certain groups to punish others for having the temerity to speak their minds.

In *Restoring Free Speech and Liberty on Campus*, Donald Downs, professor of political science at the University of Wisconsin, gives us a history of the rise and decline (fall would be putting it too strongly) of the movement against free speech on American campuses. It's more than just a history, though. Downs also makes a strong philosophical case against restrictions on free speech. In both efforts, he succeeds wonderfully—the history of speech codes is carefully chronicled, and the reader is left with no doubt that their institution was a stupendous folly.

What makes Downs's book so compelling is that as a faculty member he was in the thick of the battle over the speech code that was adopted at the University of Wisconsin. Not only that, but he initially *supported* the code, believing that the university administration could “strike a reasonable balance” between freedom of expression and speech that might cause “trauma and moral harm.”

That view did not survive long once Downs came to see how speech codes actually worked. He writes, “By the early 1990s it was becoming evident how the speech codes and the ideologies that they represented had hampered intellectual honesty. Many colleagues and students related that they felt as if they were walking on eggshells in class when talking about racially and sexually sensitive topics—even though these were among

the most important social and political topics of our time.”

Far from increasing civility on campus—the justification ritually advanced in favor of codes—Downs could see that they were being aggressively used to silence and harass people who challenged the ideas that are dear to the multiculturalist worldview. The marketplace of ideas was in danger of being replaced with a timid silence born of the fear that saying the wrong thing could at any time land one in a nightmare of Inquisition-like procedures. The supposed shield for civility was in fact being wielded as a sword against students and professors who said anything that bothered members of the “protected” groups.

The first part of the book is an analysis of the speech-code phenomenon. Downs locates the roots of the movement in the illiberal instincts of many advocates of “multiculturalism,” who want to criminalize any difference of opinion with them. Although few had read Herbert Marcuse, the spirit of his book *Repressive Tolerance* animates the speech-code enthusiasts. Marcuse argued that free speech was actually *repressive* because it allegedly put status quo ideas in a position of “dominance” and suppressed the voices of dissent. His solution was to suppress ideas critical of his radical Marxist notions.

Central to the project of instituting and enforcing speech codes was (and is) the ideology of victimhood, the idea that groups which were arguably treated unfairly in the past hold special rights in the present, rights that protect them against “hurtful” speech. Downs argues that the effort to redress historical wrongs through the restriction of free speech merely “infantilizes” the supposed beneficiaries by rendering them incapable of handling open discourse.

The second part of the book consists of four case studies: Columbia's sexual-misconduct policy, the anti-free speech movement at the University of California, the speech code at the University of Pennsylvania culminating in the absurd “water buffalo” incident, and the rise and fall of the speech codes at the University of Wisconsin. Each study introduces the reader to individuals who participated in the battles and their reasons for having done so. The stories are replete with real victims (students and professors who were pilloried for having offended in an innocent and trivial way some “protect-

ed” person or group), real villains (the speech-code aggressors and administrators who went along with their demands), and real heroes (people who fought the blatant unfairness of the speech-code procedures).

One of the heroes is Professor Alan Kors, who single-handedly took on the administration at Penn to defend a student facing disciplinary action for making an allegedly “insensitive” remark to students who were distracting him from his studies. That episode launched Kors and attorney Harvey Silverglate on a mission to expose infringements on free speech. Their book *The Shadow University* (reviewed in *The Free-*

*man*) helped to make free speech on campus a hot issue.

Downs sums his book up beautifully with a quotation from Shira Diner, the Wisconsin valedictorian in 1997: “For the past four years we have been cheated out of the education which this University should be providing because of a speech code imposed on the faculty which restricts what they can and cannot say in our classes. We have a right to be challenged with ideas that are not easy and may hurt us. We deserve nothing less if we expect to find the truth.”



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Capital Letters

# Capital Letters

## Epstein v. Rogers

In “Popular Insurrection on Property Rights” (November 2005), Richard Epstein references Will Rogers as saying that he “never found a government spending program he did not like.”

Is this the same Will Rogers whom I’ve always attributed with quotes such as “Thank God we don’t get all the government we pay for.” Or, “This country has gotten where it is in spite of politics; not because of it.”

One of us has apparently missed the boat here . . . is it me?

—BILL ALLARD  
*Tacoma, WA*

### **Richard Epstein replies:**

Bill Allard is right to say “Gotcha” in defense of the great Will Rogers. Rogers did say that he never met a man he didn’t like, and I meant to say that Justice Stevens never found a taking that he didn’t like either. But some allusions get too complicated for their own good. I certainly did not intend to make Rogers into a defender of big government when there is ample evidence to the contrary. So Rogers is fully exonerated of all charges against him. It is a different story for Justice Stevens.

Address your letters to: *The Freeman*, FEE, 30 S. Broadway, Irvington-on-Hudson, NY 10533; e-mail: [freeman@fee.org](mailto:freeman@fee.org); fax: 914-591-8910.