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No Policy is Good Policy: A Radical Proposal for U.S. Industrial Policy

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Abstract

There are three main paradigms that are the basis for the industrial policies throughout the world: institutionalism, Marxism, and free-enterprise. Of the three, two have been widely and intensively implemented and both of them have dismally failed. Institutionalism and Marxism either are, or have been, attempted to the fullest degree in the United States and abroad. Both have left nations struggling to find something better. The answer to this troublesome question is simple. No industrial policy is the best industrial policy. The classical liberals and libertarians have been arguing this since the days of Adam Smith, yet for the most part have been repeatedly dismissed. Critics have claimed their theories were unrealistic, and few nations have ever actually tried a policy close to laissez faire capitalism, at least in our century. If they had, there would not still be the quest for a better policy. This paper takes the position that it is time to learn from the previous mistakes and failures of government intervention. It is time to abolish industrial policy.

Introduction

Many different forms of industrial policy have been employed and experimented with throughout our nation's brief history.[1] As this country industrialized and grew, policies were adapted and formed to "help" maintain our competitiveness and productive advantage. Today we find ourselves scrambling once again for yet another new policy, one that will miraculously solve all, or at least most, of our economic and industrial headaches.

There are three main paradigms that are the basis for the industrial policies throughout the world: institutionalism, Marxism, and free-enterprise. Of the three, two have been widely and intensively implemented and both of them have dismally failed. Institutionalism and Marxism either are, or have been, attempted to the fullest degree in the United States and abroad. Both have left nations struggling to find something better. The answer to this troublesome question is simple. No industrial policy is the best industrial policy. The classical liberals and libertarians have been arguing this since the days of Adam Smith,[2] yet for the most part have been repeatedly dismissed. Critics have claimed their theories were unrealistic, and few nations have ever actually tried a policy close to laissez faire capitalism, at least in our century.[3] If they had, there would not still be the quest for a better policy. It is time to look back on the previous mistakes and failures of government intervention. It is time to implement the best policy for the future success of our nation; it is time to abolish industrial policy.

Institutionalism: Misguided Policy and Economic Fallacy

Since the industrialization of the United States, institutional ideas and policies have grown more popular and have been applied to industrial policy making. Unfortunately, these policies have been reducing industrial success because they are all based on economic fallacy. lnstitutionalists believe that the markets will not grow without stimulation from government.

Furthermore, they believe that industrial growth is dependent on government policy that makes working conditions better, increases employment, and renders industries more competitive. What institutionalists have not learned is that markets do better and industry is more competitive when left alone.

During the U.S. industrial revolution, the economy grew at astounding rates. All over the country factories and plants were erected and thousands of workers poured into the cities. With rapid industrialization, mass production and specialized labor methods abounded. There was little government regulation of industry so workers productivity rose dramatically. Times were definitely not easy, but there was limitless room for prosperity, growth, and innovation. The US was on its way to becoming the world leader in industrial production and this seemingly unstoppable growth benefited virtually everyone. As industry grew, so did the standard of living. More and more goods were available at less cost and in greater quantities. Finally, during the early 1920's American industry reached an apex. Wealth was everywhere, factories and mills were in the throes of production and people were living the "good life". When in 1929 disaster struck with the stock market crash, the country faced the hardest economic conditions it had ever known.[4] It was then, the crucial time of industrial and economic policy formation, that institutionalism really took hold.

Institutionalism was first foreshadowed by the rise of organized labor. Unions were created with the intention of ensuring better pay and working conditions. While leftists claim that labor unions at first helped many workers,[5] this was a policy that would come back to haunt and hinder industry in the future. As union power grew, especially in the early 1900s, industry began to see slow downs and limits never realized before. The growth of collective bargaining drove up wages to unnatural levels creating higher costs of production.[6] Today the power unions wield is painfully evident. Increased production costs have in turn given rise to higher costs of domestically produced goods which, especially with the growth and success of foreign produced goods, have hurt domestic industry. Our products have become less competitive with countries where unions and minimum wages (which is a primary focal point for unions) do not exist.[7] As was seen in the decline of the British industrial empire, unions contribute to inefficient allocation of resources and higher production costs. lnstitutionalists, nonetheless, fanatically pursue and support union growth.

Other institutional industrial plans have included protectionist policies, especially for new or large domestic industry. One of the earliest examples of this was in the steel industry. What was started as a temporary protective measure turned into irreversible protectionist policies shielding the industry from competition. This idea caught on with other industries as well. Institutional theory maintains that small and struggling industries can rebound and grow if protected from competition. By implementing policies such as tariffs and subsidies institutionalists are convinced they are strengthening our economy. On the contrary, all that these policies achieve is to make goods more expensive domestically- all for the continuation of inefficient firms.

Tariffs cause great harm.[8] When the U.S. places a tariff on foreign automobiles for example, their price of goes up. People can no longer purchase the originally cheaper car. When they buy one, be it American or foreign made, they pay more than they could have.[9] Thus, consumers have less extra spending money to put toward investment or to the purchase of other goods which would stimulate our own domestic industrial demand. Tariffs simply prevent natural prices from occurring and result in higher costs.

Government subsidies to struggling businesses and industries are another way institutionalists believe the government can stimulate industrial growth.[10] They contend that when large companies are struggling and/or facing bankruptcy, if the government provides a subsidy, the company will rebound and miraculously become productive again.[11] In some cases this actually seems to happen as in the Chrysler bail-out.[12] Unfortunately, this is a very risky and unnecessary policy to follow. Generally speaking, if an industry is on the verge of collapse or bankruptcy, it is for a reason; they are no longer able to compete.[13] Instead of allowing the company to break down and the resources, both capital and human, to be reallocated to areas of more efficient production, subsidies keep them alive. It costs incredible amounts of money to maintain, and the chance of the treatment actually working is very slim. By stepping in where it is not supposed to, the government is preventing competitive forces from driving industry to new areas where it can grow and be more competitive.

Industrial policy in the United States consists of tightening government regulations and controls on business in the form of labor laws and other regulatory and standardizing legislation. With tighter regulations and taxes on industry, there has been a rise of paper entrepreneuralism.[14] lnstitutionalists argue that this is due not to their policy, but to the lack of industrial adaptation to flexible-specialization techniques and innovation. Institutionalists claim that because of the structure and rigidity of the industrial mind, we are not open to true wealth increasing production techniques, such as theirs. Instead of adapting and innovating, these critics argue we are avoiding change with paper moving, asset changing, and number adjusting. Industry, they argue, is depending not on growth, but manipulation, for profit.[15]

There are two real answers to this charge. First, paper entrepreneuralism occurs because the government, once again, is too involved in regulating industry. Since industries face tight regulations, high taxes, and have to compete for government subsidies, they are forced to try to manipulate figures and assets on paper in order to realize a greater profit (whether that is gain via a tax break or through a subsidy).[16] Regardless, more and more energy is spent by industries to find ways of getting around regulations and taxes rather than on improving their product or production techniques. This misallocation of human resources is a waste. Nonetheless, it is not the result of lazy, stubborn, or uninnovative industry. It is the result of tighter controls on industry in the first place.

Second, much of what the analysts dismiss as unproductive or worse (speculating, being the middleman, insider trading,[17] "unfriendly" corporate takeovers,[18] etc.) are, to the contrary, highly productive. What Reich stubbornly refuses to recognize is that whenever a trade or a purchase or a sale takes place, it benefits both parties. And this applies to agriculture, automobiles, and other markets they regard as legitimate as well as to mere "paper pushing."[19] While controls have been more widely used throughout our modern history (especially in the past 50 years) we have either faced steady economic decline or have not grown as fast as we otherwise might have done. After the post-World War Two and 1980s boom period, it is now utterly clear that a new industrial policy is needed because we are rapidly losing our position as a international industrial competitor. Institutionalists are once again turning toward the government to bail us out and get the economy growing. Their new policy is strikingly similar to the old -- with a few variations. Let us consider a few.

Institutionalists now believe that people need more job security. To be fair to them, they accurately point out that industries are reluctant to train and pay for advanced training of employees since they fear losing workers to competitors.[20] One suggestion is that if a company pays for an employee's training, the laborer must stay at that company for a minimum number of years or pay it the cost of training if he/she leaves before this time.[21] But institutional solutions for industrial growth are always based on governmental action. They argue that by forcing this kind of loyalty, trained employees will be more likely to stay at their job and be more interested in improving their skills and contributions to the industry.

While it is true that companies take part in making their employees more innovative and productive, they must not be forced to do so. If it is truly in the interest of the industry to offer training programs and worker incentives, they will employ such programs.[22] Forcing training on smaller industries especially, could be more costly then they are worth. If a company can benefit from such a program, it will do so in any case without coercion from the government.

What of the claim that more job security is always preferable to less? This is yet another bit of economic illiteracy. Suppose everyone, each and every one of us, somehow all had total job security. This would appear to be the ideal for the institutionalists. If some is good, more is better.... But a moment's reflection will show that economic progress would grind to a total halt under any such scenario. For innovation means that old ways of doing things must be stopped in favor of the new, improved methods.[23] But this cannot be reconciled with complete job security, particularly in archaic processes.[24] Total security in the horse and buggy industry, for example, would have made it impossible to launch an automobile industry. We must always remember that one person's enhanced job security logically implies another’s (the employer's) increased inflexibility.

Just because job security is not the be all and end all for the entire economy does not mean that some people do not value it highly. On the market, they are free to purchase this service, as they are free to contract for any goods and services they deem valuable. One way, perhaps, to attain this goal would be to purchase -- from a private insurance company -- an unemployment policy. An alternative would be to take the sort of cut in pay usually associated with civil service jobs.[25]

Another policy has to do with education. Flexible and innovative labor skills are a major key to industrial growth, argue many of the institutionalists.[26] Who could deny this? Again, however, supporters of institutional policies look toward the government for a cure. They believe that if more money is spent on improving public elementary schools, high schools, and universities, our citizens will be more productive. They also maintain that today's public school system (and even private schools to a lesser extent) prepare our brightest students in a mass-production oriented way.[27] Institutionalists argue for specialization and small scale, intricate production. In order to achieve this institutionalist claim, our schooling must improve and not tunnel people into useless, mass-production oriented, rigid, mindless jobs.

Government programs and increased government spending are the causes of these problems, not the solutions. In the modern era, most education is now under state control. Even the private sector is hemmed in by a welter of regulations. Education, like everything else, will only improve if it is allowed to be competitive. Pure free enterprise would force schools to offer better and more progressive educational opportunities in order to draw more students. This would force other schools to do the same. Educational competition would increase the skills of the citizens of this country and make them more flexible and better trained.

Another suggestion from the dirigiste economists is that industries be forced to pay additional unemployment premiums if they downsize. Firms impose an external diseconomy, institutionalists argue, and should in this way be made to cease and desist from their antisocial activities. With a premium of this sort, if an employer cuts back and fires employees in mass numbers or does so frequently, he/she would be required to in essence provide unemployment insurance for the workers released.[28] This policy assumes that with the threat of a premium for curtailing size, industries will be more likely to keep workers on, even in times of economic difficulty.

While at first glance this seems like a good idea for assuring job security, it spawns inefficiency and misallocation of human labor. Forcing industry to keep people on when it is not beneficial for them to do so will decrease competitiveness. Industry will not be allowed to operate at efficient levels if it has to employ people who are no longer needed. Further, the market already imposes this sort of sanction on business; therefore, any government rule in this regard is overkill. Suppose there were two firms, otherwise identical in terms of wages, working conditions, etc. Whenever business was poor, firm A fires workers summarily; firm B, more empathetic, decreases hours, imposes "holidays", shifts to part-time status, "carries" its staff on the books even when there is less than a full shift of work to do, and in every other way tries to shield its employees from the exigencies of the market. Which firm would you rather hired you? Obviously, B. But if many people want to work for B, and few for A, then B will be able to maintain a work force with lower wages than A. A, in contrast, will be "punished" by the free enterprise system, not by the government, for its unsupportive attitude.

Marxism: An Industrial Nightmare

Marxist industrial policy is virtually unheard of in the United States. It has never been attempted here for one good reason; it is a dead-end option. Marxist industrial policy, in its true version is based on ultimate equality in everything. Marxist economists contend that capitalism is a progression to a worker rebellion which eventually leads to equally owned industries and government. In this situation, the government (supposedly the workers) dictates exactly what is to be produced by various industries as well as how it is to be produced and who gets it. To some this seems like a fair enough method of doing things. Reality, however, is very different. Industry performs poorly under a government controlled environment. This is best explained by the concept of tragedy of the commons.[29]

When industry is commonly owned, individuals do not have a personal stake in it. Since they will receive the same pay no matter how much work they do, they have no financial incentive to be productive, let alone innovative. The lack of personal investment or link to the industry is reflected in the attitudes and work ethic of the people. The industry remains stagnant, following the letter, not the spirit, of the five year plan. Resources in a Marxist economy are misallocated since economic calculation is impossible in the absence of private property rights and free prices. At most, people who see any benefit from this type of production are the governmental rulers since they can organize industry to meet their personal needs. Marxist industry collapses because of it's poor allocation of resources and its inadequate ability to fulfill the needs and demands of the people.

This was clear for all the world to see in the recent collapse (1989) and failure of the former Soviet Republic. Industry simply cannot move forward or even survive under socialist structures.[30] Without the freedom to innovate and the lack of property, prices, and the competitive motivation necessary for efficient resource allocation, industry stagnates and becomes unproductive. The collapse of Marxism in the Soviet Union has left the country in chaos and poverty. Recovering from the damage of Marxist economics can sometimes be very slow and painful, as in the case of the former USSR.[31] Conversion to capitalist, free market industrial policy (that is lack of policy) is the best direction these nations can take to become competitive and successful again. Implementing it may be difficult at first, but in the long run will be much more fruitful than Marxism.

Neo-Classicism: No Policy is Good Policy

The United States today faces very serious industrial and economic challenges. These issues can be addressed as they have been for so many years, with the institutional reliance on the government leading to further decline, or they can be confronted in an innovative and forward moving policy- the neoclassical abolition of industrial policy. If the government can keep its hands out of industry, we will once again become one of the most successful industrial powers in the world. How can the abolition of policy and unfettered free markets achieve this? Quite simply.

Markets are institutions that thrive and move people forward when left untouched. If we had no industrial policy competition would allocate resources, both human and capital, to where they are most needed. New technology is being developed throughout the world that is simplifying the production of goods and the communication between people. Presently it is being applied and more slowly than it should be in our government controlled, institutionalized economy. Unions, for example, prevent the installation of more efficient and modern technology because they are worried that it will cost people their jobs. Employment, however, will be created with the use of new technology in fields of maintenance and programming. In addition the cost of production is reduced and people have more money to spend since goods will cost less.

Some people are concerned that in a free market, industries that are small, struggling, or new will be crushed by the stronger, more established ones. Nonsense. This is disproven everyday by the survival of firms of different size. If economies of scale were so prevalent, there would be no small firms. (Not that this would be necessarily objectionable; it just happens to be the case.)

Opportunities abound for both workers and industries in a free market economy with no industrial policy at all. In the U.S. we have a farm policy, we have an employment policy, we have an educational policy, we have a welfare policy, and we have a housing policy. These are all areas of disarray. In contrast, where is our bubble gum policy? There is none. Where is our paper clip policy? Again, it is non existent. Nor have bureaucrats gotten their hot little hands on a ball point pen "policy". Happily, the U.S. government has not yet seen fit to adopt a computer policy.[32] As a result, there are simply no problems in these sectors of the economy. When was the last time you saw a newspaper article waxing eloquent about intractable problems in these areas? You never have and you never will, as long as laissez faire continues to apply.

Were we to reverse things, there is no doubt that matters would be different. Neo-Classical theory has been just that, a theory, for all too long. We have seen the eventual decline of industrial progress under institutional industrial policy. The collapse of the Soviet Union is testament to the failure of Marxist industrial policy. Our next move can be either forward or backward. **If** we continue on our quasi- institutionally based path, surely we will slip even further behind. The time has now come for us to move forward, to reclaim our position as a free nation. By relinquishing any and all industrial policy and opening up our markets, flexibility, mobility, and growth are inevitable and unstoppable.

[1] For free market critiques of industrial policy from the British and Canadian perspectives, respectively, see JOHN BURTON, PICKING LOSERS ...? THE POLITICAL ECONOMY OF INDUSTRIAL POLICY (The Institute of Economic Affairs 1983); KRISTIAN S. PALDA, INDUSTRIAL INNOVATION: ITS PLACE IN THE PUBLIC POLICY AGENDA (The Fraser Institute 1984). For American perspectives, see RICHARD B. MCKENZIE (ED.), PLANT CLOSINGS: PUBLIC OR PRIVATE CHOICES? (Cato Institute 1984); RICHARD B. MCKENZIE, RESTRICTIONS ON BUSINESS MOBILITY: A STUDY IN POLITICAL RHETORIC AND ECONOMIC REALITY (American Enterprise Institute 1979); RICHARD B. MCKENZIE, FUGITIVE INDUSTRY: THE ECONOMICS AND POLITICS OF DEINDUSTRIALIZATION (Pacific Institute for Public Policy Research 1984); RICHARD B. MCKENZIE, NATIONAL INDUSTRIAL POLICY: COMMENTARIES IN DISSENT (The Fisher Institute 1984); James A. Dorn, *Planning America: Government or the Market?* Introduction, 4 CATO J. 381 (Fall 1984); William A. Niskanen, *A "Supply-Side" Industrial Policy*, 4 CATO J. 365 (Fall 1984); John W. Kendrick, *U.S. Economic Policy and Productivity Growth*, 4 CATO J. 387 (Fall 1984); Alvin Rabushka, *Restoring U.S. Competitiveness*, 4 CATO J. 401 (Fall 1984); Israel M. Kirzner, *Economic Planning and the Knowledge Problem*, 4 CATO J. 407 (Fall 1984); Leonid Hurwicz, *"Economic Planning and the Knowledge Problem": A Comment*, 4 CATO J. 419 (Fall 1984); Steve Pejovich, *The Incentive to Innovate under Alternative Property Rights*, 4 CATO J. 427 (Fall 1984); Deborah Duff Milenkovitch, *"The Incentive to Innovate under Alternative Property Rights": A Comment*, 4 CATO J. 447 (Fall 1984); Don Lavoie, *Two Varieties of Industrial Policy: A Critique*, 4 CATO J. 457 (Fall 1984); Edwin Vieira, Jr., *The Constitutional Chaos of Industrial* Policy, 4 CATO J. 549 (Fall 1984); Thomas J. DiLorenzo, *The Political Economy of National Industrial* Policy, 4 CATO J. 587 (Fall 1984); John M. Albertine, *Breaking the Barriers to U.S.*

Economic Growth, 4 CATO J. 609 (Fall 1984); Richard B. McKenzie, *A Pro-Market National Industrial* Policy, 4 CATO J. 619 (Fall 1984); Bruce Bartlett, *Is Industrial Innovation Destroying Jobs?* 4 CATO J. 625 (Fall 1984); Leland B. Yeager, *"Is Industrial Innovation Destroying Jobs?": A* Comment, 4 CATO J. 645 (Fall 1984). For critiques of industrial policy in Hungary, see Josef C. Brada, *Industrial Policy in Hungary: Lessons for America*, 4 CATO J. 485 (Fall 1984); Paul Craig Roberts, *"Industrial Policy in Hungary": A Comment*, 4 CATO J. 507 (Fall 1984); Janos Horvath, *Economic Reform in Hungary: Role of Plan and Market*, 4 CATO J. 511 (Fall 1984). For critiques of industrial policy in Japan, see Katsuro Sakoh, *Japanese Economic Success: Industrial Policy or Free Market?* 4 CATO J. 521 (Fall 1984); Philip H. Trezise, *"Japanese Economic Success": A Comment*, 4 CATO J. 545 (Fall 1984).

[2] ADAM SMITH, AN INQUIRY INTO THE NATURE AND CAUSES OF THE WEALTH OF NATIONS (1776).

[3] For an analysis of the levels of economic freedom pertaining in each country, see JAMES GWARTNEY, ROBERT LAWSON AND WALTER BLOCK, ECONOMIC FREEDOM IN THE WORLD 1975-1995 (Cato Institute 1996).

[4] Thanks to left wing critics of capitalism, the Depression of the 1930s is widely seen as the Achilles Heel of the free enterprise system. In this view, endemic to the market is a boom and bust cycle; this decade was only the sharpest contraction in a long series of such phenomena, all of which are intrinsic to the system of laissez faire (socialism, in contrast, runs smoothly, with

nary a glitch in its always onward and upward pattern). Lost amidst all of the bad publicity are two very different economic explanations. The first is from the "Chicago School," which sees the cause in the Federal Reserve Board's (a government institution!) decision to allow the money supply to decrease by roughly one third in a two year span at the beginning of the decade. See MILTON FRIEDMAN AND ANNA J. SCHWARTZ, A MONETARY HISTORY OF THE UNITED STATES, 1867-1960 (National Bureau of Economic Research 1963). The second explanation is from the "Austrian School." See LUDWIG VON MISES, HUMAN ACTION (Regnery 1963); MURRAY N. ROTHBARD, AMERICA'S GREAT DEPRESSION (Sheed and Ward 1975); and FRIEDRICH A. HAYEK, PRICES AND PRODUCTION (Routledge 1931). Here the cause of the Depression in the 1930s was the Fed's inflationary expansion in the 1920s. This misallocated resources into areas of the economy that were impossible to sustain.

[5] Even more radical interventionists claim that this process is a permanent one. But it is easy to see the fallacy of all such contentions, whether short or long run. Ultimately, what determines wages (and working conditions, which are merely a sort of non monetary pay) is productivity. You can't get blood out of a stone. If the workers don't produce it, the workers can't purchase it. So, the way to see the impact of organized employee labor is to ask its impact on productivity. And once the issue is put in this manner, the answer is clear. Unions lower productivity. What with strikes, jurisdictional disputes, slowdowns, negotiations, the effect of labor organizations is to divert the worker's focus on the job. Nor is the evidence for this particularly difficult to see. If unions are necessary for employee prosperity, how come there were wage increases before the advent of unions (in the early 20th century)? How do you account for high salaries in non

unionized industries (banking, insurance, computers) and countries (Hong Kong, Singapore, South Korea, Taiwan)? If unions are sufficient for high and rising wages, why is it that the north east part of the United States, where unions were the most powerful, is now widely know as a "rust belt"?

[6] MANCUR OLSON, THE RISE AND DECLINE OF NATIONS: ECONOMIC GROWTH, STAGFLATION, AND SOCIAL RIGIDITIES 56-7 (Yale University Press 1982).

[7] MANCUR OLSON, THE RISE AND DECLINE OF NATIONS: ECONOMIC GROWTH, STAGFLATION, AND SOCIAL RIGIDITIES 18, 144-5 (Yale University Press 1982).

[8] For some discussions on the costs of protectionism, see Robert W. McGee, *The Cost of Protectionism: Should the Law Favor Producers or Consumers?* 23 GA. J. INT'L & COMP. L. 529 (1993); Robert W. McGee, *The Trade Policy of a Free Society*, 19 CAPITAL U.L.R. 301 (1990). For a discussion of the relationship between protectionism and rights violations, see Robert W. McGee and Walter Block, *Must Protectionism Always Violate Rights?* 24 INT'L J. SOC. ECON. 393 (1997).

[9] HENRY HAZLITT, ECONOMICS IN ONE LESSON 79-83 (Crown 1979).

[10] PETER HALL, GOVERNING THE ECONOMY: THE POLITICS OF STATE INTERVENTION IN BRITAIN AND FRANCE 53, 56, 64 (Polity Press 1986).

[11] ROBERT REICH, THE NEXT AMERICAN FRONTIER: A PROVOCATIVE PROGRAM FOR ECONOMIC RENEWAL 233 (Penguin 1983).

[12] Because there are no double-blind controlled experiments in economics, we will never know whether this firm would have survived in the absence of a bail out. Lefties, in any case, assume the worst possible scenario for our side of this debate. That is, let us posit that Chrysler Corporation would have gone bankrupt without the governmental guarantees, and that it now makes a positive contribution to our society. Does it then follow that allowing bureaucrats to "pick winners" will enhance our economic well being? Not a bit of it. The issue is not, Can the state ever pursue a rational beneficial policy. Obviously it can. No one disputes this. Instead, the issue is, which institution, public or private is more likely to act in a reasonable manner. And here, the answer is clear. The market has it over the industrial czar any day of the week. The reason is simple. The market is blessed with an automatic positive feedback mechanism. When the entrepreneur does a good job in anticipating the consumer's desires, cutting costs, etc., he/she earns profits so they can expand their base of operation. When he/she fails, they lose money and are forced (yes forced, in the absence of a bailout) into bankruptcy. In contrast, no such mechanism works in the public sector. When (and if!) Robert Reich ever "picked a winner" correctly, it would be illegal for him to profit by it. Nor will he lose, personally, when he errs. The only way to get him out of the box is to vote against the entire administration, (which conceivably, could be doing a good job on other issues and thus will be re-elected) and that can take up to four years.

[13] HAZLITT, supra note ______, at 98.

[14] REICH, supra note ______, at 140-2.

[15] REICH, supra note ______, at 143, 145, 157.

[16] REICH, supra note ______, at 155, 202.

[17] Insider trading is often quite beneficial to the general public. For discussions on this point, see Henry A. Manne, *In Defense of Insider Trading*, HARV. BUS. REV. 113 (Nov./Dec. 1966); HENRY A. MANNE, INSIDER TRADING AND THE STOCK MARKET (Free Press 1966); Robert W. McGee and Walter Block, *Information, Privilege, Opportunity and Insider Trading*, 10 N.ILL.U.L.REV. 1 (1989).

[18] Unfriendly corporate takeovers can be beneficial to the economy in general and to shareholders in particular. For a discussion of this point, *see* Robert W. McGee, *Mergers and Acquisitions: An Economic and Legal Analysis*, 22 CREIGHTON L. REV. 665 (1988-89).

[19] On this point, see Walter Block, *An Economic View of* Speculation, 1983 U. BRIT. COLUMBIA BUS. REV. 9 (1983); Henry A. Manne, *In Defense of Insider Trading*, HARV. BUS. REV. 113 (Nov./Dec. 1966); HENRY A. MANNE, INSIDER TRADING AND THE STOCK MARKET (Free Press 1966); Robert W. McGee and Walter Block, *Information, Privilege, Opportunity and Insider Trading*, 10 N.ILL.U.L.REV. 1 (1989); LUDWIG VON MISES, HUMAN ACTION (Regnery 1966); MURRAY N. ROTHBARD, FOR A NEW LIBERTY (Macmillan 1973); MURRAY N. ROTHBARD,

THE ETHICS OF LIBERTY (Humanities Press 1982); HENRY HAZLITT, ECONOMICS IN ONE LESSON (Crown 1979).

[20] REICH, supra note _____, at 204, 206, 207, 210.

[21] REICH, supra note _____, at 209.

[22] WALTER BLOCK, THE BISHOPS AND THEIR CRITICS 62-4 (The Fraser Institute 1986); GARY BECKER, HUMAN CAPITAL (National Bureau of Economic Research 1964).

[23] Joseph Schumpeter called this process the process of creative destruction. In order for new industries to be born, old industries must be allowed to die. Before resources can be shifted into growth industries, they must be shifted out of dying industries. See JOSEPH SCHUMPETER, CAPITALISM , SOCIALISM AND DEMOCRACY (1942).

[24] Some authors whine that America is deindustrializing, and emphasize that innovation destroys jobs. See BARRY BLUESTONE AND BENNETT HARRISON, THE DEINDUSTRIALIZATION OF AMERICA (Basic Books 1982). Nicholas Kaldor was one of the first modern-day exponents of this myth, although this fallacious view, in one form or another, has been around since the days of mercantilism in the 18th century. See NICHOLAS KALDOR, THE CAUSES OF THE SLOW ECONOMIC GROWTH OF THE UNITED KINGDOM (Oxford University Press 1966), cited in ROBERT W. MCGEE, A TRADE POLICY FOR FREE SOCIETIES: THE CASE AGAINST PROTECTIONISM 10

(Quorum Books 1994). Other authors rightly point out that innovation, on balance, is healthy for an economy, and causes economic growth and job creation. See Bruce Bartlett, *Is Industrial Innovation Destroying Jobs?* 4 CATO J. 625 (Fall 1984); Leland B. Yeager, *"Is Industrial Innovation Destroying Jobs?": A* Comment, 4 CATO J. 645 (Fall 1984); RICHARD B. MCKENZIE, THE AMERICAN JOB MACHINE (Universe Books 1988).

25 Although in recent years the pay for many civil service workers has actually become higher than that for comparable employees in the private, wealth-producing sector.

26 REICH, supra note _____, at 201.

27 REICH, supra note _____, at 214-15.

28 REICH, supra note _____, at 24-69.

29 Garrett Hardin, *The Tragedy of the Commons*, SCIENCE December 1968; Terry L. Anderson and Peter J. Hill, *Privatizing the Commons: An Improvement*, 50 S. ECON. J 438 (1983).

30 Why, then, did the Soviets survive for seven decades, and Eastern European socialism for four? Total, pure, and unadulterated Marxian socialism was never employed. Instead, there was an amalgam of central planning, government ownership, industrial policy -- all on the wrong side of the ledger -- coupled with knowledge of prices in the relatively free countries, and of

innovations in the west -- on the right side. Had communism been the only system in force in the entire world -- no Sears and Roebuck catalogues for the commissars to peruse, no example of capitalism in all the world -- the crack up would have occurred long before. In contrast, the capitalist system, all by its lonesome, can function quite adequately, thank you, without any Cubas or North Koreas to serve as a "beacon."

[31] LUDWIG VON MISES, SOCIALISM (Liberty Fund 1969); Joseph Salerno, *Mises and Hayek Dehomogenized*, 6 REV. AUSTRIAN ECON 113 (1993).

[32] Although the use of antidumping laws to protect the domestic computer chip industry has caused a portion of the computer hardware industry to move offshore. For more on this point, see Robert W. McGee and Yeomin Yoon, *Trade Policy for the Computer Industry: Time for a Change*, 8 TEMPLE INT'L & COMP. L. J. 219 (1994).