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Is the Welfare State Justified?
by Daniel Shapiro
Cambridge University Press • 2007 • 309 pages • $80.00 hardcover; $27.99 paperback
Reviewed by George C. Leef

Americans have lived with the welfare state for so long—more than 70 years—that for most, it is simply a fact of life. Asking whether it is justified would seem about as pointless as asking whether rain is justified. Furthermore, among the relatively few people who might be inclined to ponder the ethics of the welfare state, most subscribe to philosophies (for example, egalitarianism, positive-rights liberalism, and communitarianism) that find no fault with our panoply of welfare programs. Indeed, they generally favor expanding welfare.

Those of us who oppose the welfare state therefore have a Herculean task before us if we want to see voluntary programs replace coercive government ones. Fortunately, we have just gotten some help.

Professor Daniel Shapiro’s book, Is the Welfare State Justified?, makes a strong effort at persuading nonlibertarians that, based on their own philosophical principles, they ought to give up their support for government programs such as Social Security and Medicare. It is a first-rate effort that should get intellectually honest defenders of the welfare state saying, “Well, that is a good point. . . .”

Readers should understand, however, that this is a work of scholarship. If you’re simply looking for a few anti-welfare anecdotes to use against political opponents, you will have to go elsewhere. Throughout his analysis, Shapiro’s writing displays a refreshing humility; he isn’t looking for quick “gotcha!” points, but grapples earnestly with opposing perspectives.

Perhaps the reason Shapiro is so successful is that he used to be one of those liberal welfare advocates. But then he began to consider the libertarian critique. He writes, “Once I realized how free markets really worked, and how government programs that were supposed to realize their seemingly compassionate or just goals didn’t really do so, I realized that the attitude of distrust I had toward government power and the view I had about the value of individual freedom applied to economic as well as personal matters.” For quite a few years Shapiro (who teaches philosophy at West Virginia University) has been writing articles with titles like “Why Rawlsian Liberals Should Support Free Market Capitalism.” In this book he brings decades of professional thought to bear on this important project.

All right, then—is the welfare state justified? No, but a short review can’t do justice to Shapiro’s work. He covers a great array of philosophical arguments, objections to arguments, and rejoinders to objections.

Let’s briefly consider health care. Overwhelmingly, those on the political left reject free-market provision of health care, contending that everyone has a right to “adequate” medical services and concluding that we must adopt some version of a single-payer system to effectuate that claimed right. Shapiro responds that every sort of health-care system must deal with the rationing problem, then strongly argues that the free market more fairly solves that problem than any politically driven system can.

Similarly with old-age insurance and support for the indigent, Shapiro carefully shows why voluntary and market-based systems are preferable for meeting the needs of people—preferable from the standpoint of those who are inclined to believe that government does a better job.

In my view, Shapiro’s most devastating argument against all forms of government welfare is his observation that there is no such thing as a governmental welfare guarantee. Here is what he writes:

[W]elfare rights create significant conflicts with each other because even in an affluent society not everyone’s needs can be met. The state must then pick and choose which needs are to be met (or whose needs are to be met or in what form they will be met) and in doing so, the sense in which there really are welfare rights becomes diluted if not transformed. Rather than one having a right to well-being that
others (especially the government) must respect or honor, welfare beneficiaries become closer to supplicants who are at liberty to press their claims but are not entitled to them in a full-blown sense. [Emphasis in original]

Exactly! It is merely an illusion that government can create rights to welfare. All that politicians can do is to promise that they (including future officeholders) will use their coercive powers in an effort to deliver money, medical care, or other things to certain members of the population. But political promises are completely unenforceable, unlike contracts. That's one of the main reasons why Shapiro regards individual saving for retirement, medical care, and other needs as better than reliance on the state. With respect to money you have earned and saved, you really do have rights—contractual rights. You aren't just a supplicant begging politicians to tax others for your benefit.

A splendid book that throws welfare state advocates on the defensive.

George Leef (georgeleef@aol.com) is book review editor of The Freeman.

Milton Friedman: A Biography
by Lanny Ebenstein
Palgrave Macmillan • 2007 • 286 pages • $27.95

Reviewed by E.C. Pasour, Jr.

In Milton Friedman: A Biography, Lanny Ebenstein presents a highly readable account of Friedman’s life and an introduction to his economics, including his advocacy of libertarian ideas and government reform. The book is based on published material and personal interviews, and it was completed shortly before Friedman’s death in late 2006. The appendix contains a “Bibliographical Essay” further elaborating on Friedman’s life, work, and influence.

The first chapters describe Friedman’s youth and early career. His family life, the TV program and book Free to Choose, his Nobel Prize, the Friedman Prize, and his work as adviser to Barry Goldwater and Presidents Nixon and Reagan are all discussed, but the book’s major focus is on Friedman’s mature career (1946–1976) at the University of Chicago. This is followed by a discussion of his life as a public figure following retirement.

Personal interviews reveal a number of interesting tidbits about him that will be new to most readers. For example, his family was apolitical and for much of his early life he was not much interested in politics.

Friedman is known worldwide now for his view that “Inflation is always and everywhere a monetary phenomenon.” His early views on inflation, however, were quite different. In congressional testimony on how to avoid inflation during the early years of World War II, he focused on taxation as a way to reduce consumer spending.

Early on he proposed the free market as the most suitable vehicle to achieve “political freedom, economic efficiency, and substantial equality of economic power,” even though he supported the welfare aspects of Roosevelt’s New Deal as a young man. At the time the conventional wisdom among the public, as well as economists, was that government could manage the economy better than the market order could.

Friedman identified the Chicago school of economics with three attributes—efficacy of free markets, skepticism of government regulation, and emphasis on quantity of money in producing inflation. He contended that the University of Chicago was never primarily free market in outlook, but only seemed so; the distinguishing characteristic of Chicago was not the presence of market-oriented scholars at Chicago but rather the absence of them elsewhere.”

Friedman’s A Monetary History of the United States, 1867–1960, coauthored with Anna Schwartz, was a major critique of Keynesianism. That work suggested that the economic turmoil of the 1930s was not due to excesses in the market order, but Federal Reserve policy that allowed the money supply to fall, which turned what might have been an ordinary recession into the Great Depression. This book had an important effect on economists’ views on the appropriate role of government generally, but Ebenstein says little about the policy implications drawn by Friedman from the pathbreaking work in A Monetary History.
For much of his professional career Friedman was viewed as a heretic on the fringe of economics. It is hard to overstate the hostility to his policy ideas when *Capitalism and Freedom*—a libertarian guide to public policy—was published in 1962. It was reviewed only by the *American Economic Review*, even though accessible to a wide audience.

Ebenstein stresses Friedman’s philosophical debt to F.A. Hayek, a colleague at Chicago from 1950 to 1962. Friedman considered Hayek the most important intellectual figure in the worldwide movement toward freer markets. Although each favored freer markets and less government, Hayek disagreed with Friedman’s monetarism and his positivist approach to economics. Friedman, in contrast, considered his work in positive economics to be his primary intellectual contribution. Ebenstein discusses the shortcomings of the Hayekian subjectivist approach to economic analysis, but a similar discussion of the limitations of Friedman’s positivist approach would have been informative.

The book’s shortcomings mainly relate to what is omitted—discussion of Austrian, Keynesian, and other critiques of Friedman’s work. It would have been interesting, for example, if Ebenstein had queried Friedman on his response to the Austrian position that governmental control over the supply of money and credit is so dangerous to economic stability that we would be better off if we could replace the Federal Reserve with some market alternative. Friedman once said that the gold standard led to the waste of resources in mining gold, but even if that is a waste, how does it compare with the damage done by governmental manipulation of money and credit?

Friedman’s libertarian ethical view of the world was rooted in John Stuart Mill’s *On Liberty*. Most readers will be surprised to learn that Mill put forth the idea of school vouchers almost a century before Friedman. Friedman’s views on the financing of education evolved over time, and eventually he came to view vouchers as a means, not an end; by 2005 his ideal was government completely out of education.

Readers interested in Friedman’s ideas, work, and personal life will gain by reading this book.

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**The Age of Abundance: How Prosperity Transformed America’s Politics and Culture**

*by Brink Lindsey*

Collins Business • 2007/2008 • 400 pages • $26.95 hardback; $14.95 paperback

Reviewed by J. Wilson Mixon

If you’re depressed about the state of politics these days, read *The Commanding Heights*. . . . Step back and look at the big picture, a picture that spans the whole planet and comes into focus over decades. Look at the big picture and see that our side—the side of human freedom—is winning.” This review, written by Brink Lindsey in *Reason* in 1998 could be the first paragraph of his *The Age of Abundance*, a book that celebrates the virtues of liberty.

Lindsey, vice president for research at the Cato Institute, documents the advances in human freedom that Americans have enjoyed during the past century. He sees this age as one in which “most Americans were insulated from nature by an enormous edifice of human-created technologies and institutions.” America’s “age of abundance,” he contends, is a product of and a contributor to Western modernity, whose four key elements are: reliance on open-ended experimentation rather than received knowledge; reliance on free markets and the trust required for their functioning rather than on command and personal ties; a political system in which government (at least in principle) arises from and answers to the people rather than despotism; and a social life in which individual and group advancement challenges traditional stratification.

In one of the book’s many felicitous phrases, Lindsey asserts, “Despite all of the talk of raging ‘culture wars,’ most Americans are nonbelligerents.” He concludes that most Americans are libertarians, happy to enjoy the economic fruits of the market system and willing to accept, if not embrace, the social diversity that system engenders.

Lindsey acknowledges the existence and importance of the culture wars. Indeed, he states the dilemma of the libertarian majority in an unpromising fashion:
“The prevailing ideologies of left and right are mirror images of one another. The left celebrates mass affluence’s diversity and inclusiveness, while lacking due appreciation for the institutional and moral framework that sustains and advances progressive values. The right defends that framework, but does so on the basis of dogmatic beliefs that remain unreconciled to mass affluence’s cultural openness. [Politically, those in the libertarian majority must] choose which illiberal bedfellows they dislike least.”

The disproportionate influence of voices on the left and right militates against the articulation of the liberal position that Lindsey thinks those in the upwardly mobile middle class would favor.

As a result, “the modus vivendi that has emerged is an unspoken and unloved compromise rather than a well-articulated and widely embraced consensus.”

Here the author might have fruitfully incorporated some insights offered by Bryan Caplan in his book, *The Myth of the Rational Voter*. Caplan’s analysis warns that the problem is not just lack of confidence. Rather, the average voter’s economic sophistication compares to the average flat-earther’s geographic sophistication. This endemic lack of sophistication, coupled with the strength with which statists hold on to their views, suggests that Lindsey’s admirable attempt to show the way to a truly liberal society will convince too few.

The book’s generally excellent review of history suffers from a related pair of weaknesses. His treatment of labor reads like New Deal court history. “Confrontations between capital and labor were frequently bloody,” says Lindsey. Then he cites cases that actually show that the violence was among laborers: “On May 3, 1884, labor trouble sparked a confrontation between locked-out workmen and strikebreakers.” The ingrained notion that workers and capitalists are opponents is an obstacle to a more liberal society, but unfortunately Lindsey gives it some support.

A second point is that much of the advancement by minorities before 1950 is underplayed. Thomas Sowell has shown that economic progress among blacks was substantially greater prior to the Great Society programs aimed at assisting them, but he isn’t mentioned. This early progress strongly backs Lindsey’s thesis that freedom works.

Readers, libertarian or otherwise, will find *The Age of Abundance* a pleasure to read. Almost every page contains at least one phrase that either amuses or enlightens—sometimes both. Entertaining anecdotes and witty writing pepper the book throughout. On a single page, for example, Marilyn Monroe, Hugh Hefner, Peyton Place, Brigitte Bardot, and “Itsy Bitsy Teenie Weenie Yellow Polka Dot Bikini” appear. Lindsey also weaves together disparate and seemingly unrelated events, such as the “Human Be-In” in Berkeley and the founding of Oral Roberts University in 1967. These and other memorable illustrations add to the considerable enjoyment of this book.

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The Big Three in Economics: Adam Smith, Karl Marx, and John Maynard Keynes

*by Mark Skousen*

M. E. Sharpe • 2007 • 256 pages • $25.95

Reviewed by David L. Littmann

It is a rare book that treats readers—even those who’ve never taken economics—to a comprehensive understanding of the forces and policies that ultimately determine prosperity and liberty for themselves and future generations. *The Big Three in Economics* by Mark Skousen accomplishes that, supplying essential historical perspective on the best-known names and evolutionary developments in economics.

This fascinating study focuses on the luminaries that have dominated economic conversations and debates since 1776. Adam Smith’s eighteenth-century *Wealth of Nations* inquires into and documents the causes of wealth and prosperity. Karl Marx’s nineteenth-century *Das Kapital* is a treatise on victimization by an economic system rooted in individual property rights and “natural liberty.” It calls for centralization of authority in government that would facilitate redistribution of income and wealth. J.M. Keynes’s twentieth-century *General Theory* outlines a framework to justify specific
policy prescriptions for reestablishing systemic stability and maintaining economic security during business cycles.

Not only do Skousen’s succinct examinations of the “Big Three” clarify the principles of economics for unsophisticated readers, they also furnish insights into and resonate marvelously with 2008’s election-year polemics. The entire book crystallizes basic economic issues and delivers the intellectual tools to differentiate rhetoric from reality. For example, during 2008 alone, we’ve had the spectacle of one presidential candidate labeling the oil industry’s barely average profit margins “egregious,” while the other candidate (along with Congress and various regulatory bureaucracies) fingers so-called “oil speculators” for possible criminal investigations. Thanks to Skousen’s research and dozens of prescient quotations, the curious investigator—layman or Ph.D. economist—can separate hyperbole and scapegoating from objective analysis.

Equally enlightening, Skousen surrounds Smith, Marx, and Keynes with their contemporary and historical disciples, who served to reinforce the message. An excellent example of this “reinforcement” effect, which helped Adam Smith’s economic principles win the day, is the work of Jean-Baptiste Say.

Despite its title, the book isn’t exclusively about Smith, Marx, and Keynes. It describes the influence of David Hume and the French Physiocrats on Adam Smith; the impact of Reverend Thomas Robert Malthus, David Ricardo, and Friedrich Engels on Marx; and the works of Alfred Marshall plus the English marginalist school, which provided the broad shoulders on which Keynes stood.

Skousen is at his best when he describes the lives of the three economists. For example, we learn the personal story of Marx and his life as a writer-agitator-theorist. At one point, Skousen quotes Marx’s mother who complained: “If only Karl had made capital instead of writing about it!” Several documents from Marx’s pen are so shocking they cannot be reproduced in this review.

By acquainting us with the dichotomy between what Marx envisioned and modeled versus how he behaved, Skousen’s manuscript becomes a true guidebook. Beware hypocrisy, the author seems to say. Scrutinize those who expound elaborate economic theories and then violate them at their earliest convenience. Marx condemned stock-market trading yet indulged fully in the buying and selling of shares. While excoriating the capitalist system, he exploited the accumulated wealth of his in-laws, father, and closest associate.

An important spin-off from this three-century tour of economic thought is the growth of and respect for economics as a science. A particular strength of the book is how Skousen traces the continuity of economic challenges and problem-solving across the centuries. Readers will see how advances in economic thinking made it possible for later economists to resolve questions that befuddled Smith, Marx, and Keynes. Moreover, readers will be surprised by how many of today’s populist political campaign slogans (such as “change” and “race to the bottom”) were common parlance more than 150 years ago.

Of the many moments of delight and edification, I especially enjoyed Skousen’s elegant construction of Milton Friedman’s refutation of Keynesian theory and its so-called “revolution.” Contributions largely from Friedman’s Chicago School disciples and other Nobel laureates conclude the final chapter on a hopeful note. With overwhelming relevance to our nation’s current economic challenges, Skousen recapitulates Adam Smith’s fundamental theme underscoring the prescription for growth and material well-being of nations: “Peace, easy taxes, and a tolerable administration of justice.”

David Littmann (david_littmann@hotmail.com) is senior economist with the Mackinac Center for Public Policy.