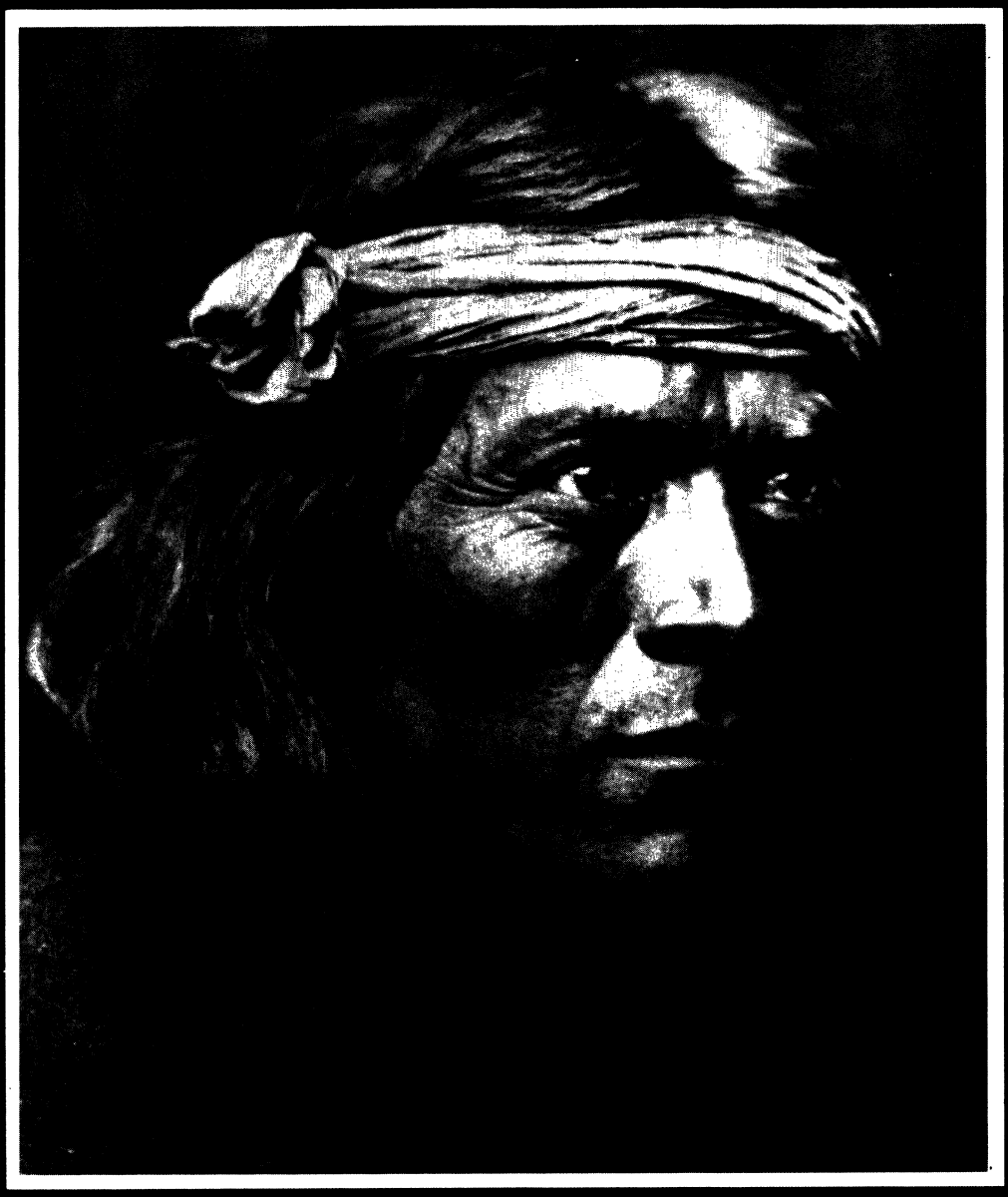
October December 1979

LITERATURE of LIBERTY

A Review of Contemporary Liberal Thought

Property Rights and Natural Resource Management

by Richard Stroup and John Baden



Zuni Governor

LITERATURE *of* LIBERTY

A Review of Contemporary Liberal Thought

Volume II, No. 4 September-December 1979

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Literature of Liberty, published quarterly by the Cato Institute of San Francisco, is an interdisciplinary periodical intended to be a resource to the scholarly community. Each issue contains a bibliographical essay and summaries of articles which clarify liberty in the fields of Philosophy, Political Science, Law, Economics, History, Psychology, Sociology, Anthropology, Education, and the Humanities. The summaries are based on articles drawn from approximately four hundred journals published in the United States and abroad. These journals are monitored for *Literature of Liberty* by the associate editors.

Subscriptions and correspondence should be mailed to *Literature of Liberty,* 1177 University Drive, Menlo Park, California 94025. The annual subscription rate is $12 (4 issues). Single issues are available for $4 per copy. Overseas rates are $20 for surface mail; $34 for airmail. An annual cumulative index is published in the fourth number of each volume. Second-class postage paid at San Francisco, California, and at additional mailing offices.

ISSN 0161-7303

Cover: Zuni Governor by Edward S. Curtis; Smithsonian Institution Photo No. 79-7486. Also available from Akwesasne Notes, Mohawk Nation, Rooseveltown, New York 13683

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Editorial

Harold Demsetz's "Toward a Theory of Property Rights," *American Economic Review* (May 1967, reprinted in Eirik G. Furobotn and Svetozar Pejovich, eds., *The Economics of Property Rights, 1974)* is a major contribution to the economists' approach to property rights. In his essay, Demsetz drew on important historical and anthropological information to illuminate the development of property rights among native Americans. What is important here is a talented economist's sensitive use of this historical material. Demsetz applies the research of scholars concerned with seventeenth-century, eastern-Canadian Indian societies to describe the Indians' recognition of property rights in the animals hunted for the fur trade. Drawing on some of the same historical sources which John Locke had earlier used in the seventeenth century to formulate his own understanding of property rights—French Missionary reports on Indian societies, such as the Jesuit Relations—historians have been able to describe the nature of property rights among the different tribes of native Americans. Demsetz summarized the significance of property rights concepts for the fur hunting tribes:

> Forest animals confine their territories to relatively small areas, so that the cost of internalizing the effects of husbanding these animals is considerably reduced. This reduced cost, together with the higher commercial value of fur-bearing animals, made it productive to establish private hunting lands. Frank G. Speck finds that family proprietorship among the Indians of the Peninsula included retaliation against trespass. Animal resources were husbanded. Sometimes conservation practices were carried on extensively. Family hunting territories were divided into quarters. Each year the family hunted in a different quarter in rotation, leaving a tract in the center as a sort of bank, not to be hunted over unless forced to do so by a shortage in the regular tract.
>
> To conclude our excursion into the phenomenon of private rights in land among the American Indians, we note one further piece of corroborating evidence. Among the Indians of the Northwest, highly developed private family rights to hunting lands had also emerged—rights which went so far as to include inheritance.

For orientation in the bibliography of Indian property in agricultural land, one might begin with Bruce G. Trigger, *The Huron: Farmers of the North* (Case Studies in Cultural Anthropology, 1969). For long periods, many of the European settlements in the New World depended on Native American agricultural activities to sustain their existence. Attention should be drawn to the important works on the hunting and trading of furs referred to in the following studies: Francis Jennins, *The Invasion of America* (1975); Harold A.

Innis, *The Fur Trade in Canada* (1964); Frederick Jackson Turner, "The Character and Influence of the Indian Trade in Wisconsin" (in Kellogg, ed., *Early Writings,* 1938); John M. Cooper, "Land Tenure among the Indians of Eastern and Northern North America," *Pennsylvania Archeologist* (1938); John M. Cooper, "Is the Algonquian Family Hunting Ground System Pre-Columbian?" *American Anthropologist*, N.S. (1939); Frank G. Speck and Loren C. Eiseley, "Significance of Hunting Territory Systems of the Algonquian in Social Theory," *Am. Anthro.* N.S. (1939); William Cristie MacLeod, "The Family Hunting Territory and Lenape Political Organization," *Am. Anthro.* N.S. (1922); Anthony F.C. Wallace, "Political Organization and Land Tenure among the Northeastern Indians, 1600-1830," *Southwestern Journal of Anthropology* (1957); Bruce Tigger, "Jesuits and the Fur Trade," *Ethnohistory* (1965); M.K. Bennett, "The Food Economy of the New England Indians, 1607-1675," *Journal of Political Economy* (1955); Gordon M. Day, "The Indian as an Ecological Factor in the Northeastern Forest," *Ecology* (1953); Frank G. Speck and Ralph W. Dexter, "Utilization of Marine Life by the Wampanoag Indians of Massachusetts," *Journal of the Washington Academy of Sciences* (1948); and Alvin M. Josephy, Jr. *The Indian Heritage of America* (1968).

When the English immigrants landed in North America, they were welcomed by the Indians, who gladly taught them agricultural methods. Although the immigrant farmers lived in peace with the Indians, immigrant officials insisted on imposing the hegemony of the settlers' government over the Indians. Government officials authorized themselves to "own" by government grant large tracts of land which they did not improve or develop; they also hoped to force future immigrants to pay them for these usurped lands. These tracts contained the lands on which the Indians were settled and had carried out their industries of farming, fishing, and hunting. The officials who "owned" these lands used governmental power to remove the Indians for failure to pay them rents. No conflicts arose over settlement by immigrants or private property in land claimed by individual farmers. The conflicts arose due to the usurping claims of government authority over the Indians and their lands.

Harold Demsetz's essay suggests the value of further research to examine the early history of European settlement in the New World, with attention to the role of private property in Native American societies. Future research could study from this property-rights framework the disutilities, injustices, and ecological disorder created by the intrusion of European government models into the relations of property-owning Native Americans and property-owning European immigrants. The advantages of a private property model for conserving and developing natural resources is spelled out in the following bibliographical essay. ◻

Bibliographical Essay

Property Rights and Natural Resource Management

*by Richard Stroup and John Baden**

Introduction: The Property Rights Paradigm

How much development should be allowed on the Yellowstone River? Is oil being used too quickly? Is the strip mining of coal properly controlled?

The world's limited patrimony of natural resources has stirred up a lively debate: how can we optimally manage our resources? It is no simple task for analysts to determine how best to manage or to allocate resources. Which uses are most "important"? How may the resources be best exploited? And what is the time path for budgeting the use of exhaustible resources? All these are important and complex questions, loaded with emotion. Charles W. Howe, *Natural Resource Economics* (1979), however, gives one recent and detailed study of how standard economics may be applied for problems in natural resource management.

In analyzing such natural resource issues, it is critically important for us to consider the form and ownership of property rights in resources. Whether the perspective is historical, predictive, or prescriptive, it is important to recognize who controls these property rights, and under what conditions. Only from this framework of property rights can we understand decision processes. Individuals, not large groups or societies, make the decisions. They do so, however, in an institutional framework. The property rights paradigm provides important analytical leverage in comprehending how individuals interact within institutions. The property rights concept, then, not only helps us understand history; it also helps us predict the consequences of today's institutions or to compare the likely outcomes of alternative arrangements. Given the increased pressure from larger populations, and from more powerful technologies which increase our ability to access and process more natural re-

sources, an increased comprehension of our system and our alternatives is most welcome. For an assessment of United States renewable resources, and the increasing pressures on them, see the U.S. Department of Agriculture's *The Nation's Renewable Resources–An Assessment, 1975*. In the case of exhaustible resources, see Hans Landberg, et al., *Resources in America's Future* (1963).

In this bibliographical essay we will: (1) trace the outlines of the property rights paradigm as it relates to resource management, (2) sketch the workings of resource markets when property rights are private and readily transferable, (3) explain market failure and the potential gains in efficiency from governmental intervention in resource markets, (4) show why collective control of resources can also be expected to have problems, (5) illustrate by case studies how the theoretical analysis works in practice, and (6) draw some policy conclusions.

1. Property Rights and Resource Management

The most interesting challenge to the economic historian is to account for changes in the structure and enforcement of property rights over time. Douglass North[1]

Property rights theorists, unlike most other economists, do not necessarily begin with the assumption that decision makers seek to maximize profits, income, or even wealth. Instead, these theorists stress the importance of specifying goals (utility function) in each case. The decision maker is then assumed to maximize his own utility (not that of an organization or state) in whatever situation he finds himself. For an excellent review of this perspective, see Eirik Furobotn and Svetozar Pejovich, "Property Rights and Economic Theory: A Survey of the Recent Literature," *Journal of Economic Literature* (1972).

Property rights in a tract of land, a coal mine, or a spring creek consist of *control* over that resource. An important feature of a property right is the ability to exclude others from using the resource. The right to use, but not to exclude others from use, is a highly imperfect (or ill-defined) property right. Failure to recognize this leads to a weak, or even useless model and to wasted resources. For an example of such a failure, see Robert Dorfman, "The Technical Basis for Decision Making" in Haefele, *The Governance of Common Property Resources* (1974).

Such a right to control property is most valuable to an individual when its ownership is outright, and it is easily transferable in exchange for other goods and services. However, even a limited discretionary command over access to a resource confers status and power to the holder. Governments typically exercise at least some

discretionary command in this regard. The theory of property rights to control over resources can in fact become a theory of the state. As Douglass North says, "In effect, one cannot develop a useful analysis of the state divorced from property rights."[2]

As individuals seek their own advantage, they generally do so within the prevailing institutional arrangement. In addition, however, they may seek gains by attempting to change the "rules of the game," or existing institutions which define property rights. For example, when privately held property rights to land are attenuated by zoning, land owners may gain by changing the zoning rules, or by influencing their administration. Since other individuals may seek the same advantages for themselves, the resulting competition may involve negative sum games: those who "win" may gain less than what is lost (invested) by the competitors as a group. There is a growing literature on the topic of resource use ("rent dissipation") in the manipulation of rules ("rent seeking") by individuals in the quest for individual gain. See, for example, Anne Krueger, "The Political Economy of a Rent Seeking Society" and Gordon Tullock, "The Welfare Costs of Tariffs, Monopolies, and Theft." If the rules allow government officials discretion in determining who has access to a resource, competing claimants can be expected to invest in means to seek favorable administrative outcomes. Informational lobbying, the shift of political support, lawsuits (actual or threatened) and simple bribery can all be brought to bear, though not without cost, by those wishing favorable treatment from decision makers who do not "own," but nevertheless control the rights (access) to resources.

Some property rights theorists, writing on the evolution of institutions, have pointed out that economic growth and efficiency are greatly affected by the way in which prevailing institutions allow property rights to be traded and allocated. When rights are privately held and easily transferable, for example, private decision makers have both the information and incentive to move resources to more highly valued uses. By contrast, if those who would lose from such change can prevent it through governmental means, without bearing the loss to society of such stagnation, then the potentially higher valued uses for resources may be foregone. We turn now to a discussion of privately held property rights, and the impact of freely tradable rights (the market) on resource management.

2. Private, Transferable Rights in a Market Setting

When resources are owned privately and the property rights are freely transferable, decisions on resource uses are decentralized.

Rationing of the scarce resource and coordination of individual plans are accomplished through the market. The owner of a copper mine receives market information on the value of alternative uses, as well as the incentive to supply the highest valued use, through bids for copper ore (or offers to buy the mine). A more complete treatment of markets in a resource setting, as compared with collective management can be found in Richard Stroup and John Baden, "Externality, Property Rights, and the Management of Our National Forest," *The Journal of Law and Economics* (1973). In this market setting, the owner is able to minimize the social cost of exploiting his resource simply by minimizing the total cost to himself. Bid and asked prices in the market convey both condensed information (shorn of all questions of "sincerity" or genuineness" of the "needs" of the parties competing to be recognized in the decision process) and the incentive to use this information. Owners thus have the information needed for efficient resource allocation, and the encouragement or incentive to serve others by operating efficiently. Consumers, who must pay for what they use, are also informed by prices as to the value others place on what many desire.

Included in the advantages of this management system (based on private property rights) are diversity, individual freedom, adaptiveness, the production of information, and a certain equity. Diversity is fostered under private property rights because there is no single, centralized decision maker but many asset owners and entrepreneurs, each of whom can exercise his own vision. Those who correctly anticipate people's desires are most rewarded. Individual freedom is preserved under the market: those who wish to participate in and support such activities are free and able to do so since market prices provide immediate information and incentive for action as soon as changes are seen. If only a *few* see scarcities or opportunities ahead, they can buy, sell, —or just provide expertise as a small group of consultants—and thus direct resource use *without* convincing 51 percent of the voters (or their bureaucracy) of the advantages of their preferences. In this case profits will reward foresight and quick action, while losses discipline those who divert resources foolishly.

Information, another advantage of property rights, is produced as a byproduct of bids offered and prices asked in the market, and is vital to the coordination of plans made in the economy by individuals.[3] Activities *not* marketed are proving very difficult to manage rationally for there is little or no concrete evidence on how people *really* evaluated nonmarketed activities relative to other resource-using activities. We know, for example, how much people are willing to sacrifice for a thousand board feet of lumber of a given species and grade, but how much *would* they pay for a day's access to a wilderness area? In the latter case of a nonmarket good we have

only rough estimates. Even the best manager cannot make good resource management decisions without knowledge of the input and output values.

As a final advantage of management of resources through private property rights, there is a measure of equity in having those people who *use* a resource (or wish to reserve it for use) pay for it by sacrificing some of their wealth. The proceeds from the sale of public assets could be distributed, or invested and perpetually distributed to the poor or others. For example, those using the forests would be required to pay a fee, whether it be for recreation, timber harvest, or even research in a unique area.

The market, as we describe it here, is a marvelous mechanism. Its workings, however, crucially require that property rights to each resource (especially the right to exclude) be privately held and easily transferable. Only if these conditions are met can we be assured that a decision maker (the owner) with an appropriate stake in the resulting decisions (his estimate of what the resource is worth in his use or on the market) will have reason to devote the appropriate amount of attention (but not too much) to how the resource can be used in its highest value (including the potential value to others in their use).

If property rights to the resource are *not* fully defined and enforceable, those who put a relatively low value on its use may nevertheless use the resource without the need to compensate (or outbid) anyone else. Or, should rights be controlled by a public (or a nonprofit) decision maker who cannot personally gain from more efficient utilization of the resource, waste could occur. The decision maker maximizes his advantage from *limited* property rights by minimizing his hassles (which he would face from hard decisions in reallocation) or by insuring his future job promotion (by giving in to the desires of politically powerful groups).

If rights are privately owned but *not* easily transferable (as in the case of agricultural water rights desired for industrial use nearby) another problem emerges. In this case, the farmer is forbidden by law to sell water to the industrial user (because unmeasured return flows might decline, injuring downstream holders of water rights). This prohibition may lead the farmer to irrigate wastefully and thus lose much water to evaporation, even though he would be quite willing to sell the water he consumes to the industrialists at a price both would find compatible.

In brief, when private rights are securely held by private individuals, but easily transferable, the resulting pattern of resource utilization would be difficult to improve upon. This follows directly from the fact that resources are easily mobile, markets provide clear and condensed information on relative values, and each person has the incentive to seek out and fill (and profit from) better uses for

each resource.[4] The next two sections will point out in some detail the problems which result in both the market and nonmarket sectors when property rights are undefined, unenforced, not owned by private parties, or when transfer is impeded.

3. Market Failure and Potential Gains from Government

As we mentioned above, market failure occurs when property rights are not properly specified, or are not held by those who can benefit personally by putting the resources to the use most highly valued by participants in the market. These market failures have long been recognized, but are frequently not traced to their origins in imperfect property rights.[5] In this section we discuss the consequences of not specifying clear property rights.

Monopoly

A common reason to distrust market outcomes is the possibility of monopoly. If one individual or firm controls the entire supply of a resource (natural diamonds, for example), that individual has an incentive to limit output not only to reduce production costs, but also to increase price. If there are no good substitutes available to users of the resource, a price well above the cost of added production may benefit the resource owner most. This would be inefficient, in the sense that some units remain unproduced even though they would be valued by users more than others value the inputs required for their production. In this situation the owner of resource rights is presumed to be unable to sell to individuals at any lower price without simultaneously lowering his price on all units.[6]

Externality

Another frequently cited cause of market failure is the existence of externality. An externality exists when some results (positive or negative) of a decision are not visited upon the decision maker. The classic case of *negative* externality is air pollution. Since John Evelyn wrote "Fumifugium" about the foul air of London in 1661, there has been public concern about the harm caused some people by smoke produced by others. When the copper producer chooses to send sulfur dioxide into the air, instead of bearing the costs of filtration, he saves money and thus benefits; yet the farmer downwind, whose alfalfa turns brown, pays the penalty and bears the cost. The results of such negative externalities are usually perceived to be inequitable. If the cost of reducing the pollution is less than the damage a reduction would avoid, the pollution also is

inefficient. In general, negative externalities are overproduced. The standard economic approach to pollution, and to potential solutions, is set out skillfully, in a nontechnical fashion by Larry Ruff in "The Economic Common Sense of Pollution," *The Public Interest* (1970). An early property rights approach is in J.H. Dales, *Prices, Property Rights, and Pollution* (1968).

A related problem sometimes exists. *Positive* externalities exist if a decision maker's actions yield benefits to others, without compensation. If my neighbor continues to grow wheat on his land, rather than stripmine the coal below, I enjoy the view without having to pay him. He therefore does not consider my values when negotiating with coal buyers and deciding how to use his land. In general, external benefits are underproduced.

We can fruitfully consider both negative and positive externalities as property rights problems. In the example above, both the copper producer and the farmer use the air resource. The copper smelter uses the air as a garbage removal service, to carry away its waste, while the farmer's alfalfa plants "breathe" it. Farmers actually own the air in the sense that, if they are damaged by pollution, they can sue to recover damages.[7] This right to clear (nondamaging) air is imperfect, however, since the farmer here would have to prove in court: (a) the total value of damages, (b) the fact that pollution caused the damages, and (c) that the smelter was indeed responsible for the foul air when damages occurred. This burden of proof is difficult (expensive), and so the property right seldom forces the air user to compensate the owner. Air pollution is similar to a hypothetical case where a copper producer could take labor or capital or copper ore for its own use without paying for it. Any such free resource is likely to be overused: [8]

We can approach the problem of negative externality in a slightly different manner by considering it a failure of law regarding liability. For example, the owner of an automobile does not have the right to use it to injure others (or their property), and is held liable for damages arising from the use of his auto. Similarly, we might also hold the owner of a copper smelter responsible (liable) for damages from the operation of his smelter. In a different setting, the implications of alternative liability laws are examined by Roland McKean, in "Products Liability: Implications of Some Changing Property Rights," *Quarterly Journal of Economics* (1970).

The second case given above of the "free" view enjoyed without compensation again reflects a failure of the rights to control (and to exclude others from the enjoyment of) all output from the land resource. The scenic view is a byproduct for which no credit is received—or foregone when production stops. A classic article showing the property rights aspects of action where a decision maker does not pay the costs or gain the benefits from those actions

is Ronald Coase, "The Problem of Social Cost," *The Journal of Law and Economics* (1960). Coase shows that in the absence of transactions costs (the costs of reaching a final bargain among parties) it does not matter *who* owns a given resource, except that wealth will change. That is, resource allocation is unchanged to the extent that individual preferences are invariant to the change in wealth caused by different assignments of property rights.

Public Goods and Common Pools

Another class of market problems resembles a variant of externality. It includes the "public good" problem and the "common pool" problem. In each case, the actions of an individual decision maker have external effects on others. A public good is one which, once produced, is available for all to utilize. Paul Samuelson's original definition of a *public good* was such that one individual's consumption of it led to no reduction in others' consumption of that good. See Samuelson, "The Pure Theory of Public Expenditures," *Review of Economics and Statistics* (1964). Anyone can be a "free rider," so that no one has an incentive to provide the good unless the benefits to him alone exceed the cost to all society. Public goods, such as national defense, tend to be underprovided by market behavior. They are an extreme case of positive externality.

More germane to natural resource issues is the *common pool* problem. As in the case of oil, a common pool resembles one soda being consumed by several small boys, each with a straw. The "rule of capture" is in effect: ownership of the liquid is not established until it is in one's possession. If several oil wells, each with a different owner, tap into the same underground reservoir of oil, each owner has an incentive to extract the oil very quickly. Doing so, however, can reduce the total volume eventually taken from the well, due to geologic factors.[9] Another famous example of the problem was the English "Commons" or pastures on which all in the community could graze animals without penalty. Grazing extra animals on the commons could greatly reduce the yield of the pasture in the future. However, since the cost was borne by all, while the individual herdsman gained all the benefit from his extra animals, the incentive was to overgraze. In the common pool, each user inflicts external costs on other users. A thorough treatment of this topic is Garret Hardin and John Baden, editors, *Managing the Commons* (1977), especially Hardin's study, "The Tragedy of the Commons."

In the case of both public goods and the common pool, the lack of property rights is critical. If whoever provided national defense privately could exclude from protection all who failed to pay, the public good aspect would disappear. If anyone pumping oil from a

common pool had to compensate an owner for the lost opportunities tomorrow (less oil tomorrow) for each barrel of oil pumped today, he would not pump out the oil too rapidly.

Transactions Costs

All instances where markets fail to achieve ideal efficiency standards can be classified under the rubric "transactions costs." For further discussions on transactions costs (the cost of reaching a final bargain among parties), see Furnbotn and Pejovich, "Property Rights and Economic Theory: A Survey of the Recent Theory," in *Journal of Economic Literature* (1972), and Steven Cheung, "The Structure of a Contract and the Theory of a Non-Exclusive Resource," *Journal of Law and Economics* (1970). The monopolist artificially increases scarcity only when he finds it too costly to separate those potential customers who will pay the higher monopoly price. If only the cost of locating and bargaining separately with buyers submarginal to the monopoly price were sufficiently low, then both the monopolist and the buyers could profit from added exchange. Again, transactions costs are pertinent in the case of externality. Here, any action imposing an external cost that is greater than the benefit to the decision maker would not be carried out if the persons damaged could bargain costlessly with the (current) decision maker. All parties affected would become part of the decision process in a world of zero transactions costs. In such a world the public good and common pool problems would also be extinct. No potential bargain (nor any exchange offering greater benefits than costs) could remain unconsummated if the costs of defining and enforcing property rights together with the costs of identifying and making mutually beneficial exchanges were zero. Together, these costs are defined as transaction costs. They are the only impediments to ideal efficiency in the market. Unfortunately they always exist in resource markets, so that it always makes sense, in theory, to consider alternatives to market organization.

Equity

Another reason that some want to consider nonmarket alternatives for allocating natural resources is the matter of equity. If we think of efficiency as producing the largest "pie" (in value terms) from our given patrimony of natural resources, equity would then determine how to divide that pie among the population. Equity is not the same as equality, though some might believe that a more equal distribution of income is more "equitable." In terms of our pie analogy, the property rights approach emphasizes that decision makers tend to seek control over the largest possible piece, rather

than to seek only efficiency. Thus, a major concern is how the pie (equity) is sliced. The growing importance of equity is indicated in Fred Hirsch, *Social Limits to Growth* (1967), Robert Nisbet, *Twilight of Authority* (1975), and Daniel Bell, *Cultural Contradictions of Capitalism* (1976). The desire to influence the distribution of costs and benefits is another reason that some want to turn away from market control of natural resources. This has been most vividly illustrated in recent years by growing governmental interference in energy markets. Worry over "windfall profits" from crude oil is just one symptom of a much broader concern about the equity of market outcomes.

In the hope of achieving both efficiency and equity, we might wish to turn to government institutions. As we examine government, however, a number of problems appear.

4. Government Failure, Property Rights, and Resource Allocation

If markets are imperfect in allocating resources, so are the governmental mechanisms set up to improve markets. Whether we look at regulated firms or direct governmental control, displacing the market will not insure efficiency. Economists are still struggling with the theory of regulations, but not fruitlessly. See, for example, George Stigler, "The Theory of Economic Regulation" (1979), and Sam Peltzman, "Toward a More General Theory of Regulation" (1976), two technical articles on the topic. The problems of governmental (bureaucratic) control of resources are analyzed in William Niskanen, Jr., *Bureaucracy and Representative Government* (1971) and Thomas Borcherding, editor, *Budgets and Bureaucrats* (1977). These problems are illustrated in the context of natural resources in John Baden and Richard Stroup, "The Environmental Costs of Government Action," *Policy Review* 4 (1978).

Considerable progress has been made in analyzing collective action in a democracy. Now, even those analysts least enchanted with market solutions are aware that turning resources over to the public sector will not guarantee desirable results.

The pioneering contributions of Anthony Downs, *An Economic Theory of Democracy* (1957); Buchanan and Tullock, *The Calculus of Consent* (1962); and Mancur Olson, *The Logic of Collective Action* (1965); have clarified our knowledge of representative government and show some promise of approaching, in rigor and predictive capacity, the economic theory of the firm.[10]

What conclusion results from using the property rights approach, in which each decision maker (political or private) acts to

advance his own interests as he sees them? We can see the same fundamental flaw in collective or political institutions that exists when imperfect property rights and transaction costs hinder private markets: decision makers are not held fully accountable for their actions. When control is political, rather than by private owners, those in charge (politicians and bureaucrats) cannot be expected to sacrifice their own personal career and other goals by resisting political pressures from special interests. Nor can we expect them to be diligent when the rewards for doing so are non-existent.

Why are public officials not held more accountable for managing natural resources efficiently, diligently, and in the best interests of all the voters? We can identify five components of the problem.

1. The Rational Ignorance Effect

Citizens allocate their decision time and efforts, as they do all other scarce resources, toward those uses which yield personal benefits. Gathering and analyzing knowledge will be undertaken on those matters which are important to the concerned individuals *and* are significantly influenced by them. The average citizen will fail to study national water policy, not because it is unimportant, but because he will have virtually no personal impact on the policy. It is rational to be ignorant about complex matters which are beyond one's control. Although weather is the most important single determinant of a farmer's income in a given year, the farmer is rational to study fertilizer options and tax strategies instead of meteorology. The weather is simply beyond his control. Similarly, the same farmer will be rationally ignorant about most governmental policies. The exception is likely to be the tiny portion of government policy which influences the market for his own crop. In this case, he has a special interest.

2. The Special Interest Effect

Whereas most citizens are rationally ignorant about most governmental policies, on any particular issue there may be small groups with strong enough interest on that narrow issue to have an impact. Local cattlemen, for example, may have a strong interest in how grazing rights are administered on federal lands. When the issue is sufficiently narrow (grazing rights, not federal lands policy generally) and when the personal interests of a small group are sufficiently large (a large portion of some ranchers' assets are leased federal grazing rights), then a narrowly focused but highly motivated special interest group is likely to wield enormous political clout. The group may support or oppose a politician (or a bureau, in the legislative process) over this one small issue. The interests, however large in total, of the rest of the citizenry may have little bearing on resulting policy in this particular narrow policy area.[11]

Of course, governmental policy in general is the sum of such narrow concerns. Another problem for a representative democracy is the fact that each citizen can normally vote, not on each issue separately, but for one representative (or executive) to represent him on all issues.

3. The Bundle Purchase Effect

Even if every citizen could somehow study every issue, and even if special interests could not buy influence through campaign contributions or other forms of political support, each citizen would still face another serious problem in expressing his informed opinion on the thousands of issues arising each year. The voter votes not on individual issues (which stripmine controls? which groundwater policy option?) but on one representative to speak for him on every issue (the Democrat or the Republican?). The lack of precision in achieving one's input into the system is obvious. On this point, see Gordon Tullock, *Private Wants and Public Means* (1970), pp. 107-114. Again, the payoff to a citizen for being fully informed on most issues is reduced because the bundles of policy choice from which he must choose, in the end, is severely limited even if by some small miracle he were *the* decisive voter.

4. The Short-sightedness Effect

If most people are ignorant about most policies—and many polls indicate that the average registered voter cannot name his current U.S. Congressman—then those policies whose major costs or major benefits fall in the futre will be even less well understood. Successful politicians and bureaucrats, to receive sufficient support, must show their supporters *current* net benefits. Future generations cannot vote in current elections. Thus efforts on our resource base which occur years down the road will have relatively little impact now, unless individuals are willing to sacrifice now for the future benefit of others. Such decisions sometimes occur, but they seem less likely to conserve resources than private speculation (discussed below) which allows the speculator a chance to benefit *himself* while protecting resources for future (sale and) use. Just as the Indiana woodlot owner can gain by selling wood to Texans, current private owners can gain by conserving or "hoarding" a resource which is becoming more scarce, and selling it later to other "hoarders" (speculators). By contrast, a current government decision maker can seldom gain political support by locking resources away from current voters to benefit the unborn. We can expect government policy to be shortsighted, especially in the long time horizons necessary for conservation and for many natural resource policies.

5. Little Incentive for Internal Efficiency

In the private sector, a firm that uses resources more valuable (as measured by cost) than the value of what it produces (as measured by revenue) loses money and goes out of business (unless rescued by government or supported voluntarily as a charity). No such "reality check" exists for government bureaus. A sufficient base of political support is required instead. Seldom can the public sector decision maker benefit personally from greater efficiency in governmental units. The political incentive is to expand rather than to economize. The public choice literature, taking a property rights approach, is developing an increasingly sophisticated set of models to explain bureaucratic behavior. See, for example, Mique and Belanger, "Toward General Theory of Managerial Discretion" (1979), William Niskanen, "Bureaucracy and Representative Government" (1971), Gordon Tullock, *The Politics of Bureaucracy* (1965), and Oliver Williamson, *The Economics of Discretionary Behavior: Managerial Objectives in a Theory of the Firm* (1964).

Realism of the Analysis

Is our analysis of government's inability to manage resources effectively too cynical? We think not. The scholars whose models we summarize here, have demonstrated (usually in areas of application other than natural resources) that their analyses have explanatory power as well as theoretical attractiveness. This way of thinking simply recognizes that individuals, not organizations or societies, make decisions and that in general, individuals act in their own best interest as they perceive it. To be useful and beneficial to society as a whole, an institution must succeed in connecting authority (command over resources) to responsibility (the capture of costs and benefits flowing from one's actions). The market relies upon private property rights to hold each person responsible for his actions. When rights are *imperfectly* defined, enforced, or transferable, we can understand why markets fail. Representative democracy counts on informed voters and their elected representatives to hold government decision makers responsible for their acts. We can predict how and why this institution, too, will be imperfect.

5. Property Rights and Natural Resources: Applications

Property Rights to Resources and Intergenerational Equity

If humanity is expected to survive for at least several generations, the question of equity clearly has temporal as well as current spatial application. If policy analysts are to become increasingly

concerned with issues of equity, there is no obvious reason to restrict this concern to a generation's timespan. Thus, we should consider transgenerational equity. Assume, for a moment, that no one knows into which generation he or anyone else would be born. Once behind the "veil of ignorance," our key question becomes: Which assignment of property rights will produce the greater degree of intergenerational transfer: an assignment of private rights or one with collective rights assigned to a democratic government?

Many hold it as an article of faith that we are running out of resources despite the compelling evidence of static or declining real prices for many natural resources. Certainly a perception of resource depletion is real, regardless of the facts, and it is perceptions which influence policy. Hence, if we are interested in policy we must consider the perceptions which underlie policy.

Given a belief that we are running out of natural resources, we can expect future generations to be seriously disadvantaged. Those unlucky enough to be born later will suffer from the consumption decisions taken by their predecessors, decisions that violate intergenerational equity.

If transgenerational equity is to be a goal, then, it becomes necessary to distribute the *value* of resources across generations. Obviously, it would be inequitable to distribute the volume or mass equally, for utilization efficiency will surely change. As a simple example, an equal volume of timber produces, due to higher productivity efficiency, a higher volume and value of products now than it did 40 or even ten years ago. Thus, were we to be allocated the same biomass of timber as was allocated to the previous generation we would, in terms of a simplistic notion of equity, be unfairly advantaged.

Due to increased capital accumulation, including information and human capital, we expect improvements in utilization of all resources. Under incentives that reward efficiency this outcome should occur partly due to the fact that resources become increasingly scarce. In this as in other areas, however, we expect to encounter diminishing marginal returns. The gain from moving utilization of standing timber reserves from 30 percent to 60 percent is likely to be easier to attain than a move from 60 percent to 90 percent utilization.

The great wealth of capital stock available today was generated by the savings and accumulation of past generations. Whether we call it altruism or poorly planned self-interest, the result is the same: each generation has been endowed with a continually growing stock of productive capital with which to satisfy its desires to consume as it sees fit. The natural resource equity argument holds that this enhancement of consumption options is purchased at too high a price in terms of raw materials and natural amenities.

Indeed, it seems reasonable to consider a possible shift in the relative opportunities offered by capital accumulation and raw materials. It is at least possible that future generations would prefer present generations to bequeath them less additional capital and more natural resources. As the authors of the *Federalist Papers* understood so well, no person can be assumed the best judge of another's preferences. Hence, those in the future might want the option of developing the capital that they find most useful. Clearly, however, each generation's use of resources influences the welfare of those which follow.

It is a blunt fact that the present generation operating in a historical context establishes the rules regarding property rights with respect to resources. While there may be no logical way to apply a discount rate for the comparison of satisfactions among different generations, each generation implicitly does so.

With clear property rights the market mechanism will allocate resources efficiently provided that all parties can enter the market and that negotiations have negligible costs. But because future generations cannot bargain directly with the present, this approach is questionable.

Both the issues and the conditions should now be clear. Many consider equity to be increasingly important. Transgenerational equity (discounted by the probability of there being future generations) is one important form of equity. Property rights to resources are a component in an equity formulation. And finally, future generations cannot speak for themselves.

The transgenerational equity questions may be stated quite simply. If one did not know into which generation he would be born, how would he structure property rights to resources? We will undertake below a preliminary analysis that turns out to yield counterintuitive results.

Property Rights and Transgenerational Equity: The Case of Exhaustible Resources

We would all expect that a market system involving privately held rights would yield very different results than would a system whose rights were held by society and whose decisions regarding resource use were made collectively. And it is widely believed that a market setting causes future generations to be robbed of natural resources. Krutilla and Page, for example, recently put it this way:

"... Generally, markets are considered fair only if all those affected by the outcomes are present in the market (without externalities) and the distribution of market power is considered fair. In the case of deciding which new (energy) supplies to develop, the distribution of market power is indeed uneven: the present generation controls the total stock of resources, leaving future generations with no voice in today's decision."[12]

Further, V.K. Lippit and K. Hamada in their essay, "Efficiency and Equity in Intergenerational Distribution," in *Sustainable Society* (1977), have argued that: "In the extreme case, future generations cannot compensate the present for foregoing the mildest satisfactions, even when the very survival of mankind is at stake."

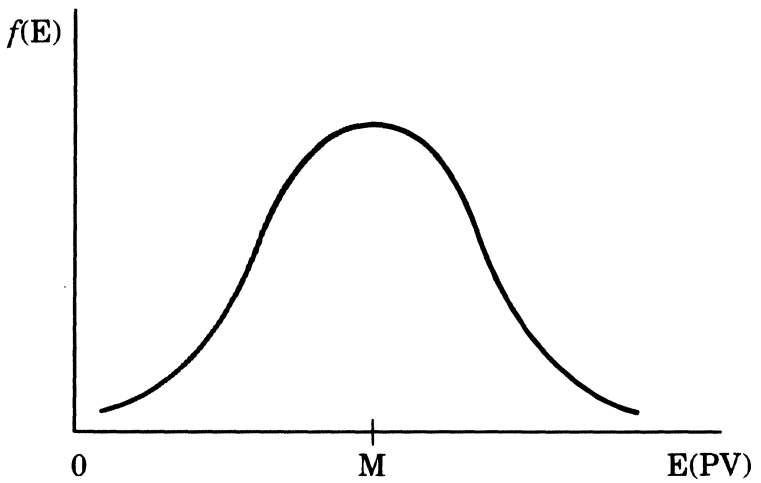
The major implication of this and similar material is that a market mechanism, as compared with collective control, deprives future generations of resources. But this antimarket claim does not withstand examination. Our analysis results from both the different incentives faced by market as opposed to government decision makers, and from the different ways decision makers are chosen in the two settings.

In what follows, we employ simple models of market and collective democratic actions. For concreteness, we will refer to the resources stock in question as a copper mine. This example is chosen to capture the elements of inter-temporal resource allocation and intergenerational transfer of resources, while presumably minimizing the intrusion of side issues (such as environmental externalities and violation of the exclusion principle). A binary (yes or no) decision must be made periodically on whether to exploit the one ore body in the current period or not. Following the initial analysis, we will make the models less naïve by relaxing certain assumptions, and we will note the results.

To decide whether or not an existing resource should be exploited in the current time period the decision maker simply compares its value (net of development costs) in current exploitation with its expected value in highest future use (net of development costs, and discounted to the present). If current exploitation yields more net benefits than does any future use (as judged by the decision makers), then the decision maker chooses current exploitation rather than preservation of the stock resource. The major difficulty, of course, lies in how to estimate the value in future use. The value of a body of copper ore to be mined in any given future period depends on several factors, all of which are subject to uncertainty. Availability of other copper ore, the price of copper substitutes, the state of tastes and technology determining copper's usefulness—all those factors are important in determining a decision maker's estimate of the mine's present value in future exploitation. For a given mine, different people are likely to have differing opinions on when the mine should be developed, or more specifically for present purposes, whether or not current exploitation is best.

The views of the populace on the present discounted value of future use might be summarized in a diagram such as the one below. The abscissa (or horizontal axis) indicates E(PV), the *estimated present value* of preservation, which is a single value in dollar terms, expressing the sum of all the influences we listed above. The ordi-

nate (or vertical axis) indicates the frequency of each estimate. No particular shape is required of the distribution for simple models. If we then locate on the abscissa a value, M, equal to the value (net of operating costs) of the ore body if mined now,[13] all E(PV) greater than the value indicates that preservation is preferred. Similarly, those whose E(PV) falls short of M(the current development value) presumably must conclude that current development is the better choice.



Consider now the most straightforward kind of *democratic political* decision making regarding the copper mine. Each voter expresses his opinion of whether the mine should or should not be developed currently, and the majority rules. For a maximum bias *against* our outcome, assume that each individual is not simply self-interested, but that he votes for what he believes will benefit society most. To predict the outcome of such a vote, we simply must ask whether the majority of the estimates fall to the right, or to the left, of the value of the mine in current use. If the majority is to the left, current exploitation will be mandated; if to the right, preservation is supported. Put another way, if the median voter[14] has E(PV) greater than M (the current development value) preservation will result, while current development wins if he feels the other way. In a very real sense, the median voter's judgement prevails.

By contrast, consider a simple *market* situation involving the same people with the same tastes, expectations, and discount rates, where the copper mine is controlled by the highest bidder. One type of bid is M, for current development, made on behalf of ore processors. The highest such bid represents the mine's worth in current exploitation. The other type of bid is from those who want to

preserve the mine for the future. We can assume either altruistic or selfish motives for these bidders. In either case, each bid reflects the bidder's belief as to the mine's value. Obviously, if anyone (with sufficient funds, or credit, or the ability to convince fellow risk takers) believes the mine will be sufficiently more valuable in future use than now, so as to justify postponing its use, the resource will be conserved or preserved. Unlike political decision making the median opinion does not control decisions in the market. The tendency instead is for those *with the strongest bias to preserve resources* to control. Those conservers are usually called speculators.

We have long been puzzled regarding the general condemnation of speculators by environmentalists and preservationists. "Speculator" is, quite widely, a derisive term. But, with the singular exception of the monopoly case, such criticism seems to be at variance with the announced preferences of the critics. The critics claim to favor deferred consumption which is merely saving for the future. This, of course, is exactly the function of the speculator. Only by paying a higher price than those who prefer to consume now can he conserve the resource for his profit (and for the future). While current consumers have good reason to object to speculators for driving up the price and hence reducing current consumption, those in the future should shower them with praise and rewards—if the speculator guessed correctly. The central point, of course, is that successful speculators benefit consumers in the future at the expense of those in the present. Their action in markets over time is analogous to distributors of goods over space. The distributor of oranges buys in Florida on behalf of New Yorkers. Orange prices would be lower for Florida consumers if interstate trade were forbidden; but this would not benefit New Yorkers who desire Florida oranges.

It is not important whether the speculators have a long view encompassing the future period when the resource will be developed, or a more short-sighted view, for their own personal financial plans. So long as they can transfer (sell) the property rights they hold of the mine's future value, the mine remains a saleable asset and a good investment. As time passes and the higher-valued time of use approaches, the present discounted value rises.

Of course if the purchasing speculator is wrong, and potential bidders begin to learn so, he suffers the loss as the mine's value rises less rapidly (or falls) compared to other assets he could have held. He *and* the deprived earlier generation bear society's loss if his decision to preserve the mine is incorrect. *But the resource is preserved.* Since this type of speculative activity can be expected whenever resource property rights are private and transferable, resource prices in such markets will reflect bidding for future use, and *current exploitation will occur only when all future speculative*

bids are overcome. Contrary to the statements by Krutilla and Page, the equilibrium market price clearly includes pressure from future potential bidders, including those bidders yet unborn, since speculative bids are based on what *future* users, as bidders, are expected to be willing to pay. Hence, in a market system with transferable property rights over stock resources, those who are *most optimistic* regarding the *future* value of any storable good are the ones who control the resource. Given that they believe that the future value will be high, they expect to capture rewards by keeping resources out of consumption.

It is difficult to imagine how a mechanism other than market speculation could be devised to give current political voters an analogous incentive to consider future citizens. Future voters must depend on the good will of present voters to sacrifice current consumption of governmentally controlled resources. Our analysis of collective control has thus far assumed that such good will is present; that present voters view future generations' consumption as they do their own. The only discount factor assumed to apply to consumption in the distant future was that which people apply to their own consumption during their lifetimes. This form of altruism was not required of the private bidders.

Now if we allow more self-interested voters to enter our collective control model, the market's bias for preserving resources stands out in even sharper relief. If voters are less interested in future generations' welfare than in their own, current exploitation becomes more valuable relative to the benefits of preservation in the eyes of current voters. The value in current use, M, remains constant while their effective E(PV) falls because future usefulness, enjoyed by others, is in effect hore heavily discounted than if current voters themselves could enjoy the benefits.

It should be clear that as we allow for self-interested behavior the most realistic presumption is not that voters feel towards future generations as they do toward their heirs. It can be argued (particularly well in sociobiological terms) that such a presumption collapses back to the naïve altrustic view. People in general may value their descendant's consumption as they do their own. However, the voters deciding on the stock of natural resources to bequeath to the next generation are not considering their descendants' welfare alone, but the welfare of all those alive in the future. Such a diffused interest will surely result in a lower present value than that which leads people individually to leave bequests to their heirs. On the other hand, since costs are also diffuse, the net effect is not obvious.

Another assumption to be relaxed in our model is that of market structure in the private control model. Initially we posited a competitive bidding process for the resource. In fact, a competitive market is not necessary to our results. In a monopolized or cartelized market, the tendency towards preservation is increased. As Harold

Hotelling demonstrated in his 1931 article, "The Economics of Exhaustible Resources," a constant-cost monopoly will restrict the exploitation rate due to its output-restricting behavior.

The Market vs. Bureaucratic Preservation of Resources

To summarize the situation with exhaustible resources, privately held, exchangeable property rights tend to *encourage* preservation, relative to a simple democratically controlled collective management system. This is because the gains from preservation are appropriate in a market system, but not with collective ownership, and because those with expectations of high future value for the resource tend systematically to control it through outbidding others. The preservation bias differential is even increased if people are viewed as self-interested, or if the private producing industry is a monopoly or a cartel.

An implication of this model is counterintuitive or at variance with commonly accepted wisdom. One respected source of that accepted wisdom is Robert Solow who in his 1973 Richard T. Ely lecture stated:

> ". . . We know in general that even well-functioning competitive markets may fail to allocate resources properly over time. The reason, I have suggested, is because, in the nature of the case, the future brings no endowment of its own to whatever markets actually exist.[15]

We have argued that, at least relative to collective control, the future does have a "representative" in present markets: the speculator. The endowment the future brings to the market is what the speculator expects the future to be willing to pay.

Later in his lecture Solow suggested a partial corrective to the perceived lack of representation of the future.[16] Futures markets are claimed to save resources for future generations. Our analysis suggests the opposite. To institute a "futures" market is to allow speculators to be supplied, not only with actual claims on resources but speculative claims as well. Without futures contracts, the only role for the speculator is to bet on the rises in resource values. Futures contracts allow speculators to sell short those resources they expect to decline in value, thereby depressing current prices and encouraging greater current consumption of these resources. In short, the futures market gives influence in the resource market to those expecting a lower rise in resource price or having a higher discount rate.

Transgenerational Equity and Bureaucratic Management

When *governmental bureaus* (rather than simple democratic voting) manage resources, then resources use is a function of the

incentives operating on the bureaucratic resources managers. In *private markets* with well-defined property rights, the incentives serve to maximize the value of output from flow resources, or to minimize the value of inputs for a given output flow. Public managers are no different from private managers in that they tend to respond to incentives. Both are largely self-interested. McKenzie and Tullock in *The New World of Economics: Explorations into the Human Experience* (1978), give perhaps the classic statement:

"Bureaucrats are not markedly different from other people. Most citizens of the U.S. are to some extent interested in helping their fellow man and in doing things in the public interest. Most citizens of the U.S., on the other hand, tend to devote much more time and attention to their own personal interests. The same is true of bureaucrats."

Why does more stocking and more production investments take place in collectively owned and bureaucratically managed forests? One explanation for this is the incentive structure faced by the bureaucratic managers.

For people in general, but for highly motivated individuals in particular, self-interest leads to the desire for an increase in discretionary control over resources. For the "selfish" individual, this provides the power and deference which accompany discretionary control. For the professionally oriented or "socially concerned" individual, this provides, in addition, the ability to make "good" things happen. More timber growth is presumably a "good" thing to a forester, for example. When resources are owned collectively as in a bureaucracy such as the U.S. Forest Service, a prime strategy of the bureaucrat for increased discretion is to promote the growth of his bureau.

There are reasons to believe that in most cases waste is generated from the bureau being above optimum size. Most will agree that powerful forces lead in this direction. For the bureau head, civil services rank, prestige, and pay—all are strongly related to the size of his bureau. Further, symbols of success such as office amenities are also related to the number of persons under his charge. (For example, in one university, for years only deans and higher level administrators could have IBM typewriters). In addition, expansion generates more possibilities for promotion. This enhances the bureau head's ability to control those under his charge, since under Civil Service rules firings are nearly impossible to execute successfully. Thus to gain control over his inferiors, the bureaucrat may promise promotions as inducements. And promotions are more common in a growing office.

Or perhaps equal importance for the ambitious bureaucrat is the fact that a large proportion of his budget is "locked in" from previous years. This, of course, reduces the range of discretionary expenditures. In contrast, new funds offer far more opportunities for

flexibility and for innovation.

Among other results, this tendency toward bureaucratic growth can be expected to encourage decisions that favor a more intensive management of this resource. Likewise, there is a reluctance to surrender territorial authority (unless the cut in manpower is small, or exercise of the authority leaves no *discretionary* resource claims), as well as a reluctance to merge with any larger entity or to transfer resources to activities outside the agency's scope. Such incentives are consistent with maximum preservation of the resource or large (relative to private) inventories.

This strong desire for growth does not depend on the presence of evil administrators or megalomaniacs. We must remember that the bureaucrat, because he lacks market information on the relative value of his produce and those of other public agencies, suffers from the absence of an obvious and immediate "reality check" on what he wishes to believe. Thus, it is easy for him to harbor the illusion that his agency mission is above average merit and thus argue that his office deserves above average budget increases. He of course has the help of clientele groups at budget time. Collective ownership and the lack of a pricing mechanism result in both anti-efficient incentives and distorted information—or a lack of the latter—which deal to even a well-meaning, intelligent bureaucrat blows from which recovery is difficult and rare. In sum, the bias is toward expanded bureaucratic growth and activity. When dealing with resources that require active management (usually renewable resources) this means high flows and high inventories since there is no interest charged to the inventories.

To predict whether private markets or governmental control will save more of a resource for the future, one must consider the bias which a private market has (in the absence of well-functioning futures markets in natural resources) *relative to* a simple democratic voting system. Also, however, the bias of bureaucracies toward high levels of activity and bureau growth will complicate prediction in the more realistic world of bureaucratic (not simple democratic) governance. Where stocks must be actively managed, bureaucratic pathologies may lead to even greater inventory carryovers than the private market.

Alternative Energy

As we indicated above, the market system shifts resources among owners under the rule of willing consent. Trades are voluntary and are expected to leave both parties better off. Prices provide condensed *information* regarding the relative value of resources and they provide *incentives* to move those resources to more highly

valued uses. When property rights are clear and easily enforced, the market mechanism will (with initial endowments taken as given) efficiently allocate resources, including natural resources.

Energy production provides an excellent example of: (1) the efficient and responsive operation of the market system, and (2) the problems generated by the coercive intervention of the government. An examination of the production of what is now called "alternative" or "soft path" energy is especially enlightening.

In this section we will: (1) introduce the "problem" of alternative energy production in the U.S.; (2) provide a historical sketch of alternative energy production; (3) review governmental programs that precipitated the decline in alternative energy research production; and (4) make some generalizations regarding the functions of governmental subsidies.

The Problem of Alternative Energy Production in the U.S.

Of the many complaints regarding American energy systems one seems especially interesting. Often stated as a question, that complaint becomes, "Why have U.S. companies failed to invest in 'alternative' or 'renewable' sources of energy, particularly 'soft path' and solar?" This is an interesting question because the answer is *not* intuitively obvious and it *is* substantially important. Further, the usual reaction to this question is to press for governmental subsidies for alternative energy research and development (R and D). Let us quickly review existing and proposed energy subsidies.

In the years from 1918 through 1977 the Federal Government expended $217.4 billion for incentives designed to stimulate energy production. See for example, Battelle Memorial Institute, *An Analysis of Federal Incentives Used to Stimulate Energy Production* (1978). Since the 1970s, the "energy crisis" has been a prime political issue. President Carter addressed our energy problems when announcing the "first principle" of his energy program: "We can have an effective and comprehensive energy policy only if the Federal Government takes responsibility for it . . ."[17] In the fiscal year 1977 alone, the Energy Research and Development Administration called for appropriations of $6.0 billion, an increase of more than 70 percent from the 1975 level of $3.5 billion. See Murray Weindenbaum and R. Harnish, *Government Credit Subsidies for Energy Development* (1976). Thus, the proposed direction of public policy is quite clear. Further, the idea of fostering energy development through government subsidies is *not* a new one.

The years since 1977 have produced a substantially increased set of proposals for subsidizing these "alternative" or renewable energy sources. Many of these proposals would dwarf earlier actions even when measured in constant dollars.

Alternative Energy and Alleged Market Failure

The fundamental question we pose is quite simple: can these and other proposed subsidies, meant to encourage the expansion of energy supply in the private sector of the American economy, be justified in terms of social welfare or economic efficiency?

Perhaps we should begin with the issue raised earlier and deal with the fundamental question of why the domestic energy industry is reputed to "need" federal financial assistance. That is: Why would profit-seeking capitalists fail to invest in the development of alternative energy systems? Of course, there is one obvious answer. Such investments seem unlikely to generate normal profits. Pushing the question a bit further, we ask: Why would entrepreneurs not expect alternative energy systems to produce normal profits? To respond to this question we must consider historical evidence.

First, consider the fact that until October of 1973, the real price of conventional fossil fuels was declining at an accelerating rate. It was not only becoming less expensive but the percent of decrease increased annually. (This was due in part to imperfect property rights to oil pools and hence was a transistory condition) Obviously, such a market does not foster the development of substitute products. Given that the recent shortage was caused by political rather than by physical factors, it could not be predicted using standard models of resource consumption. Thus, investors, entrepreneurs, and speculators could not be expected to effectively buffer the consumer from the impacts of shortages.

As an example, let us look at synthetic-fuel production, a current governmental "band-wagon" item. Why the reluctance of private industry to jump into the development and subsequent production of synthetic-fuel substitutes? Government energy policies of the last twenty years, including quotas and price controls on oil and gas, have interfered with the smooth market adjustment to substitute fuels. Through the price control programs, government policy is bringing about, at least temporarily, the very shortages it is seeking to prevent through the proposed synthetic-fuel programs.

Other factors are at work to delay the development of synthetic fuels. In five years the estimated price of crude oil from shale increased 310 percent.[18] A similar picture is painted for price estimates of gas derived from coal. In 1971, a price of $.33 per thousand cubic feet was reported; by 1975 the President's task force on synthetic fuel reported a cost of approximately $2.70 per thousand.[19] Thus, in four years these rough cost estimates have soared 710 percent. The potential investor justifiably pauses at such a path for projected costs. Other price uncertainties are caused by the possibility of continued controls on crude-oil and natural-gas prices. From the above estimates, it is projected that by 1985, prices for conventional hydrocarbons are still likely to be *lower* than the cost of

synthetic fuels. Again, we find understandable reasons for private industries' reluctance to invest in synthetic fuel R and D.

In spite of history, economic theory, and the high risks seen by private industry, many influential people feel that the government should subsidize synthetic fuel and alternative energy programs. Barry Commoner, in an October, 1979 interview in *Challenge* magazine, judges President Carter's synthetic fuel subsidy program as a "cynical attempt to use public money to bail out the oil companies from their impending difficulties." He does not view shale oil and other synthetic fuels as "alternatives" but rather as a "simple way of bolstering up the conventional system." Commoner feels that the passage of the Synthetic Fuels Program will parallel or repeat economic costs and so override any possible advantages:

> "You know the Atomic Energy Commission obligated itself to develop nuclear power without taking into consideration environmental questions and consequent economic questions. The idea was just to forge ahead. See where it's gotten us—into an essential bankrupt industry which has failed.... It will be tragic if we have another failure like nuclear power before we can get onto the proper course."

When the government allocates resources, market signals are distorted: the resources now flow to the most politically powerful rather than to consumer directed uses. With synthetic fuels, there are inherent resource and environmental difficulties, the risk of cancer, the disruption of land, as well as water pollution and drainage difficulties. But, why should a private company invest in other alternative sources of energy, such as wind or solar power, when the government is paying his competitors' costs in synthetic-fuel production? Investments in the private sector are made only when the projected benefits are greater than the costs. Through government subsidization of synthetic fuels or alternative sources of energy, energy costs are borne by society at large through taxation. This bypasses direct cash payment by the individual consumer of energy. As Joskow and Pindyck write in a paper summarized in *The Wall Street Journal*, July 2, 1979: "But Americans would in fact be much worse off with high taxes than with higher energy prices. Individuals can choose to avoid paying higher energy prices by limiting their consumption, but they have no choice regarding the taxes they must pay."

Proposed subsidies designed to encourage energy production by the private sector of the American economy seem unjustifiable in terms of social welfare *or* economic efficiency. As we indicated above, when resources are allocated by the market, they tend to be used more efficiently, flowing towards those uses where they can be put to the best advantage. Without government intervention through subsidization, market-stimulated research and development is allowed to follow its own course of satisfying the demands of

consumers. In contrast, when subsidies are involved, then political power (rather than consumer decisions made on the margins) allocates resources. It is yet to be demonstrated that such decisions optimize social welfare. Perhaps we can best illustrate some of the destructive qualities of subsidies by briefly examining some of the historical consequences of government intervention through subsidizing energy. Let us now consider historical developments in "soft path" alternatives to conventional energy production.

A Historical Sketch of Alternative Energy Developments

With the advent of the "energy crisis" of the 1970s, many people became informed of "soft path" alternatives to conventional energy forms. These include solar collectors, wind power, hydroelectric and tidal power, and organic fuels such as methane and alcohol. Contrary to popular belief, these solar energy forms are not recent developments, nor are they presently a great deal more technologically advanced than they were 45 years ago. *The Industrial Arts Index* from 1913 to the 1940s shows a significant amount of research and practice occurring in all of the solar energy forms mentioned above:

Number of Articles Concerning Solar Energy Forms in *The Industrial Arts Index* 1913–1940[20]

	Solar (cookers, power, heaters, electricity)	Wind (Power, Windmills)	Hydroelectric Power	Alcohol as Fuel
1913	3	1	1	3
1914	10	0	4	1
1915	7	2	18	3
1916	3	1	20	6
1917	0	1	23	5
1918–19	0	6	39	11
1920–21	4	14	33	16
1922–23	6	8	17	19
1924–25	1	17	19	8
1926–27	2	6	12	9
1928–29	0	11	22	9
1930–31	5	11	15	7
1932	9	2	10	6
1933	11	1	7	63
1934	8	6	15	12
1935	13	3	10	7
1936	23	4	6	19
1937	4	4	4	6
1938	7	3	4	9
1939	8	1	3	2
1940	19	0	5	4

For further evidence that U.S. individuals and firms did indeed respond to opportunities to develop alternatives to the conventional large scale power systems see Baden "Subsidizing the Destruction of Alternative Energy Production," (1979) for a more detailed example of historical developments in wind power, solar energy, and hydroelectric and tidal power.

Governmental Programs and the Decline in Research and Development of Alternative Energy Sources

There are three sets of basic factors that may account for the observed atrophy of R and D in alternative energy systems. One is technological and two are political.

(1) Substantial economies of scale have developed in the production of energy. If these economies are sufficienctly large, they *could* be sufficient to override the substantial delivery costs associated with remote locations. If energy was "too cheap to monitor," then the *only* relevant cost was the cost of delivery. Given that some power generating facilities came on line at 2¢/kw (two cents per kilowatt hour), delivery costs would have to be huge indeed for small scale local generators to be economically preferable. Further, new generator technology made it much more economical to transmit power over long distances. These technological considerations, however, constitute neither the complete nor the interesting explanations for the failure of alternative energy systems.

(2) Another component of an explanation involves the structuring of utility rates. For a market to encourage the movement of resources to more highly valued uses, individuals must face the consequences of their economic decisions. Thus, a person who demands power that is expensive to produce and deliver must *face prices which include that relatively high expense.* If this does not occur, then he need not take account of the real opportunity cost of his action. Thus, he has little incentive to use resources efficiently or to conserve. When individuals do not confront real marginal costs, we cannot expect them to act as though they do.

The politically determined rate structure was set to preclude an accounting that would foster efficient resource utilization. People using expensive-to-deliver power are subsidized in their consumption by those who consume less expensive power. After an initial installation charge, all using the same amount pay the same rate *regardless of the cost of delivery.* This outcome is politically mandated.

Now let us consider the healthier effects of market pricing of energy without subsidies. Assume that people faced rates that reflected true marginal costs. Were this the case, then those living in remote and, consequently, expensive locations would have strong

incentives to become potential consumers of small scale alternative energy production units. The continued existence of this market would have fostered the continuence of R and D efforts by those firms and their potential competitors active in the 1920s, 30s, and 40s.

(3) Perhaps the most important factor fostering the decline of our indigenous alternative energy industry was an unintended consequence of a desire to "do good." The Rural Electrification Administration (REA) was established during the 1930s to subsidize power delivery to people in rural areas. The federal government guaranteed two percent loans and eliminated income taxes to rural power co-ops. Thus, the general citizen picks up a portion of the cost of delivering expensive power and hence reduces the market incentive to develop alternative systems.

Although REA legislation was enacted in the 1930s, the demise of the windmills and wind generators was postponed for another two decades, the time required for electric wires to be strung throughout the Central and Western states. Marcellus Jacobs, founder of the once successful "Jacobs Wind Electric Company," stated that without question, the spread of REA subsidized power facilities signaled the end of his business.[21] The solar water heating industry, resurging after World War II, was also stunted by cheap electric rates. Like wind power and solar water heaters, the ultimate demise of eighteenth and nineteenth century tidal power can also be attributed to the subsidized introduction of cheap electricity.

The Costs of Government Subsidy and a Lesson

It is clear that there were worthy goals underlying REA. The ideal of bringing power to all of the people is, perhaps, inherently attractive. Unfortunately, however, not all good things go together. There were unanticipated costs associated with the decision to subsidize power delivery. The first cost, that of inefficiently employing power poles, labor, and copper wire, seems relatively trivial when compared with the second. The crucial cost is the loss of forty years of research and development in the area of alternative energy development. By providing subsidies for rival energy forms a market in alternative energy was severely restricted. The absence of a competitive market allows little incentive to develop and produce a product. As a result, REA eliminated a once thriving wind power industry and contributed to a decline in R and D efforts in alternative energy sources.

Our current retarded position, caused largely by subsidies, has led to arguments that we should now subsidize the development of alternative energy systems. But clearly there is a problem with subsidies. Specifically, a subsidy inhibits developments in areas not

subsidized. Since the future is uncertain we can never know what the cost of our bias will be. We can only know that there will be a cost.

Had we perfect vision in the 1930s and predicted the energy crisis of October, 1973 we could have accomplished the objective of distributing power while fostering R and D efforts. It now seems clear that had we given each recipient of subsidized power his subsidy in *cash* and provided him the option of systems, he would have the benefits of power and we would have the fruits of forty additional years of research. Given that: (1) bureaucracies find it difficult to be time and place specific, and hence to encourage variation, and (2) that the future cannot be predicted, we want to exercise extreme caution before making a commitment to additional subsidies. We cannot at this time anticipate the future costs of present subsidies.

The American Indian

An increasing proportion of people understand the linkage between property rights and efficient and equitable resource management. Although this perspective is recognized as "new," it actually is "neo." The process of social evolution led to the development and implementation of this understanding among various ethnographic units, including some of the American Indian tribes. In this section we consider two cases. The first deals with a fugitive resource whose characteristics are such that control costs (and hence management difficulties) are very high. As we would suspect, property rights were *not* established in this case. The second case involved a relatively sedentary or "locatable" resource where property rights were more easily defined and enforced.

Property Rights and Plains Indian Culture

The Indians of the American Plains are among the most well known and eulogized of all tribal peoples. The culture for which they are famous was of only short duration and was based on the horse and the buffalo.

Prior to the introduction of the horse, the hunting of bison was uncertain, and relatively unproductive. In the pre-horse period the capture of a buffalo was comparatively rare. The buffalo was highly valued and hence fully utilized.

In effect, the introduction of the horse, steel tools, and later firearms lowered the "price" of the animal. As the price fell due to technological adaptation, patterns of utilization changed dramatically. During this period many buffalo were killed by Indians merely for the tongue and the two strips of back strap. By 1840 the

Indian had driven the buffalo from portions of the original habitat and there is evidence of concern about this occurrence. Earl F. Murphy states that "[O]nly the simplicity of weaponry and the small number of these nomadic peoples kept the buffalo from meeting its fate two centuries earlier." See Haines, *The Buffalo* (1970),pages 156-159 for a general description, and Earl F. Murphy, *Governing Nature* (1967), page 99. Compounding this shift in technology was the Indian's new market of hides sought by the white man. Thus, there was both a supply shift from lower costs of production and a new use of buffalo (sales) which led to an increase in demand.

Thus, in observing the Plains Indians we witness *efficient* behavioral adjustment to changing prices by *inefficient* management of a common property resource. Given multiple tribes, a fugitive resource, and high transaction costs, the Indians were incapable of establishing property rights and managing the buffalo as a renewable resource. Regardless of the ideology of the resource users, it is obvious that wise use is difficult to achieve when property rights are undefined and unenforced. Communally owned resources (i.e. where private property rights are not established) tend to foster ecologically damaging behavior. In this case the benefits from harvesting additional buffalo accrued to the individual hunter and his group while the costs of depletion of the herd were distributed among all potential hunters. In such a common property context, since the full costs of hunting are not borne by the hunter, over-use is predictable.

Property Rights and Institutional Adaptations: The Coastal Fur Trade

One of the first systematic accounts of the development of property rights is Harold Demsetz's treatment of the North American fur trade in "Toward a Theory of Property Rights," *American Economic Review* (1967). The institution of private hunting territories among the Labrador Peninsula (Montagnais) Indians was described by the anthropologist, Frank Speck, in "A Report on Tribal Boundaries and Hunting Areas of the Malecite Indians of New Brunswick," *American Anthropologist* (1946).

These Indians were primarily hunters subsisting on large game such as caribou and small fur-bearers such as beaver. Prior to the development of trade with Europeans there was little pressure upon these resources. Demand was below carrying capacity and the tribes hunted communally, sharing the harvest. With the establishment of the French fur trade routes in the early 1600s came the incentive for over-exploitation of the resource. Localized extinction of the beaver could be predicted with the increasing value, scarcity, and

depletion of the beaver under the existing system of property rights. But unlike the buffalo, which was virtually condemned to extinction as common property, the beaver were protected by evolving awareness of private property rights among hunters. By the early to middle eighteenth century, the transition to private hunting grounds was almost complete and the Montagnais were managing the beaver on a sustained yield basis. Eleanor Leacock notes that trappers readily adopted conservation practices when they were able to personally collect the benefits. She notes in "The Montagnais 'Hunting Territory' and the Fur Trade," *American Anthropologist* (1954), that "[t]he Western Montagnais farms his territory by marking his houses, ascertaining the number of beavers in them, and always leaving at least a pair." The system of private ownership developed parallel to the fur trade. Leacock[22] observed "an unmistakable correlation between early center of trade and the oldest and most complete development of the hunting territory.".

The difference in behavior between the beaver and the buffalo hunters may be traced to the different institutional structures. The inherent characteristics of the resources are fundamentally different, i.e., while the buffalo is a fugitive resource, beaver are sedentary and thus are amenable to private appropriations. Further, the transaction costs for a relatively homogeneous group of tribes such as the Montagnais are lower than among the warring Plains tribes. Thus, institutional accommodation should be easier to achieve.

With the significant intrusion of the white trapper in the nineteenth century, the Indian's property rights were violated. Because The Indian could not exclude the white trapper from the benefits of conservation, both joined in trapping out the beaver.

A similar shift to the mining of beaver by the Algonquin relatives of the Montagnais, the Malecite, is described by Speck.

> "The occasion for this change in Indian sentiment regarding conservation was made plain by the informant's declarations that the native hunters, seeing that the whites were bent on wholesale destruction of the game animals and fur-bearers, deliberately decided to take their share and profits from the forests before it became too late, and did so. And thus the epoch of conservative, regulated hunting by the Malecite . . . came quite abruptly to an end."[23]

In essence, the Indians lost their ability to enforce property rights and rationally stopped practicing resource conservation.

Government Management of Range Resources

As we have indicated, when there are not clear property rights, where there are substantial public or easily nonpackageable goods associated with a resource, or where there are pervasive monopoly

problems, there are pervasive monopoly problems, there is a valid argument for governmental intervention. Unfortunately, the governmental solution to this failure is quite often more costly than the original failure.[24] For an elaboration of the logic presented here see the following studies by Baden and Stroup. "Externality, Property Rights and the Management of Our National Forests," *The Journal of Law and Economics* 16 (October 1973): 303-312; "Private Rights, Public Choices, and the Management of National Forests," *Western Wildlands* 2, No. 4 (Autumn 1975):5-13; "Property Rights, Environmental Quality, and the Management of National Forests," Ch. 22 of *Managing the Commons* (1977). See also by Baden and Stroup "The Environmental Costs of Government Action," *Policy Review* (Spring 1978): 23-38; "Response to Krutilla and Haigh," *Environmental Law*, Vol. 8, pages 417-421; "The Development of a Predatory Bureaucracy," *Policy Review* (Winter 1979).

Some of the best examples (and worst cases) of governmental failure are found in the lands managed by the federal government. In this section we will: (1) review one case of governmental mismanagement and (2) describe a mechanism for correcting this problem. The case is the Bureau of Land Management lands in the West.

BLM and the Problems of Public Sector Management

For many years the Bureau of Land Management (BLM), quite unlike the Forest Service, was large immune from public controversy and conflict. The BLM, which developed from the Grazing Service established by the Taylor Grazing Act of 1934, has two primary client groups. The first is the stockmen of the West. The second has involved those who used BLM lands for mineral and other resrouce-extracting purposes. Recreation has been a relatively minor component of BLM management plans. BLM holdings have been known as "the land no one wanted." Indeed , few even knew they existed.

For good or ill, this situation has changed dramatically. Beginning with the environmental movement, the Classification and Multiple Use Act of 1964, and especially with Earth Day in April 1970, BLM lands were "discovered." With added understanding by the growing environmental movement, BLM lands became identified and recognized. Their managers became exposed to criticism and litigation.

The inherent conflict of BLM management goals was further codified with the BLM's organic act of 1976, especially with section 202. The BLM is mandated to provide multiple use on the lands it manages. No longer need they satisfy only the stockmen and the miners. Under the current wilderness review, a substantial portion of BLM land has become the focus of significant conflict over use and management.

In this issue as in most others there are no perfect solutions and none that are cost free. There simply is no way BLM managers can satisfy all the competing factions. Public controversy will continue and public relations will become more important than range management. Fortunately, however, there is a solution. While it is not cost free, and while there will be winners and losers, the solution is likely to be preferable to the existing circumstances.

Government Divestiture of BLM Grazing Rights

Ideal management of the BLM lands would provide a diversity of uses, would have management that is adaptive to changing national needs and priorities, and would distribute the benefits nationally. We suggest that these goals can be approached most nearly by the divestiture of BLM lands. Only in this way can all of the people of the nation capture the benefits into perpetuity produced by the 170 million acres of land in the West now managed by the BLM.

A divestirue plan which conveys selected rights to BLM land into the private sector would avoid many problems, while retaining for the general public the value of future productivity from those rights. What we are suggesting is the sale of BLM lands with protective covenants. If rights to a tract of land are thought of as a bundle of sticks, most of those sticks would be sold, but not all. In an area providing important recreational access, for example, the land might be sold *without* the right to exclude properly behaving hikers. The right to kill certain ecologically important predators might also be withheld from sale.

Would those people currently enjoying BLM leases be disadvantaged? We think not, if the sale terms are properly established. In general, current lease holders would be offered permanent property rights to do what they are now doing plus all other land rights not specifically retained by the federal government. Making these property rights permanent would increase the value of land use to the user, since the benefits of long term management practices, such as range improvement, would clearly be captured by the user into the future. Users with a short time horizon might well choose to sell their new asset, but they would still have the incentive to avoid overgrazing, erosion, or any other practice which would reduce the value of their land. By the same token, such expensive (and sometimes very destructive) practices as chaining and rest-rotation grazing would be carried out only when the long-term plus short-term benefits outweighed the long-term plus short-term costs. This would be true because the land owner would both pay the costs and receive all the benefits.

The terms of sale under our divestiture plan would make available to current users the land they now utilize in return for payment equal to the present value of all future lease payments, discounted at the rate of interest on long-term agricultural loans being made in

their area. Parcels of land not bought on those terms by current lease holders would be offered at auction with a starting bid equal to the price offered to the current lease holder.

Diversity of land use on lands thus conveyed into the private sector would be guaranteed, for the same reason that diversity exists in an urban area: any entrepreneur with a vision of appropriate land use can bid for the right to implement his vision. Adaptiveness to changing conditions is fostered for the same reason. Those wishing to try new ideas can do so without having to convince either a giant bureaucracy or a majority of elected representatives. Ideas that turn out to be crackpot schemes are quickly exposed and stopped automatically due to the drain on the wealth of entrepreneurs and financiers. In a private setting we need not count on the goodwill or morality of decision makers; their greed will suffice. Decision makers who move the resources into higher valued uses will prosper, whereas those who devote resources to uses others do not value highly will be systematically separated from wealth and thus from their ability to make socially important decisions in the future.

A crucial feature of our divestiture plan is the equity of its outcome. Current users will be advantaged by having available the opportunity to gain by better long-term management of the land they are using. Citizens will gain not only by increased productivity, but by being able to capture the value of their productive resource into perpetuity, to at least the same degree they are doing now. In addition, taxpayers will not have to pay the high management costs they now bear through funding the BLM.

In summary, we believe that a plan to privatize the lands currently managed by the BLM can be arranged to the benefit of everyone with the possible exception of the bureaucracy itself. The continuing and expensive hassle of intensive lobbying by environmentalists, producer groups, and others can be avoided. The ongoing debate over environmental law as it applied to private lands will continue, of course, but the perpetual struggle over lease rates and the appropriate land use pattern will be ended, as will the occasional scandals which inevitably arise when public figures and bureaucrats continually control billions of dollars and assets without any means of being held personally accountable for their use.

6. Conclusion: Policy Implications of the Property Rights Approach to Natural Resource Management

Since individuals rather than groups or societies, make decisions on natural resource management, the property rights approach is highly relevant to the analysis of those decisions. Each decision maker can be expected to be concerned with appropriate

management from his own point of view rather than from an "efficiency" or a societal point of view. Because individuals differ, it is important to know who controls a resource (has the right to allocate its use). With privately owned property rights, a resource is generally controlled by those with the most optimistic view of how they might be used, as constrained by ability to finance resource use or ownership. (Banks and financiers act as a filter on crackpots.) New ideas and new opportunities bring shifts in resource control, as the identities (and plans) of high bidders for a given resource change. Positive transactions costs, however, hinder the flow of resource rights to higher valued uses. In the extreme case property rights are effectively undefined and obvious resource waste (e.g. excessive pollution) occurs.

Market failure results when property rights fail to cause decision makers with authority over resource use to be faced with the full responsibility for their decisions. Since governmental control almost never makes fully effective the linking of authority to responsibility, public sector control clearly will fail also to reach ideal efficiency goals.

Any realistic approach to the formation of good (or improved) natural resource management will take these important facts into account. As Demsetz has indicated, one should not commit the "grass is always greener" fallacy and assume that if one institutional arrangement is imperfect the *desire* for improvement should lead to an ideal alternative.[25] We must compare realistic alternatives with the imperfect status quo, instead of an ideal (but unattainable) alternative with the imperfect status quo. When the market is known to fail, for example, we should not leap in to replace it with collective control assuming that well-intended and omniscient bureaucrats, oblivious to career goals and political pressures, will solve our problems. Similarly, if we move toward a market solution, the existence of transaction costs must not be forgotten as if they did not exist.

In a sense, the property rights and related public choice approaches to natural resource management are worthy of the "dismal science" title which Thomas Malthus gave to economics. We are reminded that a responsible analyst must segregate hopes and ideals from expectations. Yet the new approach is quite constructive in useful ways. It counsels us mainly to recognize incentives to individuals, and to shape them when necessary. It tells us that institutions are crucial in decision making. Indeed, one can maintain with Alan Randall, in "Property Rights and Social Microeconomics," *Natural Resource Journal* 15 (1975):746, that this new approach is a rebirth, with the infusion of neoclassical microtheory, of the tradition of institutional economics long associated with J.R. Commons.

Policy Principles suggested by the works we have summarized include the following:

(1) Privatization of property rights, taking them from the public sector, may improve management from society's viewpoint. As indicated in the section above on grazing rights; in Alred Cuzán on water rights, "A Critique of Collectivist Water Resrouces Planning," *Western Political Quarterly* (1979); and by Bruce Yandle on air pollution, "The Emerging Market for Air Pollution Rights," *Regulation* (1978); a plausible case can be made that market constraints are superior to collective controls in resource management. Always, however, the problem of transactions costs must be carefully examined before final judgement can be made. The ideal market with perfect competition does not (and will never) exist.

(2) In a world of change, it is crucial to minimize transactions costs so that resources can flow to higher valued uses. Price controls, regulation of all kinds, and curbs on profits to those controlling the resources moved to higher valued uses are all virulent forms of what is frequently called "The British disease." The net gains to society from increased efficiency should, we think, be sought by the reduction of such measures. Increased efficiency is, after all, a positive sum game.

(3) When collective control is deemed necessary despite its drawbacks, it is frequently possible (and usually desirable) to mimic the market. This normally amounts to privatizing a collectively determined set of rights, as in marketable pollution rights and transferable development rights, or using taxes and subsidies in place of direct controls. Bureaucrats and politicians will normally prefer direct controls, since that path enlarges their discretion and their budgets. As even such governmentally oriented economists as Charles Schultze and James Schlessinger have cogently argued,[26] however, shaping incentives is generally a more effective solution. No matter how elegant the operations research solution might be, it will seldom be implemented properly without the flow of information and the set of incentives only a market can provide. No one is omniscient. No one lives to maximize efficiency.

In brief, the property rights approach indicates that privately held rights, far from being the root of ecological problems and natural resource misuse, may be a key element in their solution. Markets will never be perfect, but government failures are both obvious and intractable. Resources held as part of a decision maker's wealth will seldom be squandered.

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FOOTNOTES

Full citations for works listed in the Footnotes may be found in the following Bibliography.

1. Douglass North, "A Framework for Analyzing the State of Economic History," *Explorations in Economic History* 16 (1979):249–259.
2. See North (1979):250. This article discusses the factors influencing the way in which rulers of a state advance their own control over resources by selecting from among alternative sets of property rights rules. Economic growth and efficiency can be means to the ruler's ends, but only if the ruler can capture enough of the consequent benefits relative to more easily monitored, controlled, and taxed systems.
3. Economists of the Austrian school emphasize the role of the entrepreneur who, in his search for profit, finds higher valued uses for resources previously used in a less valuable fashion. See, for example, Ludwig von Mises, *Human Action,* and Israel Kirzner, *Competition and Entrepreneurship.*
4. The workings of the market are explained nonmathematically, with a minimum of jargon, from a property rights approach, in four books on economic principles: Armen Alchian and William Allen, *University Economics*; James Gwartney and Richard Stroup, *Economics: Private and Public Choice*; Paul Heyne, *The Economic Way of Thinking*; and Svetozar Pejovich, *Fundamentals of Economics.*
5. A systematic treatment of the "accepted wisdom" on market failure is Francis Bator, "Anatomy of Market Failure," *The Quarterly Journal of Economics* (August 1958):351–379.
6. Nearly all introductory economics texts cover this general problem of monopoly, including the four cited in the previous note.
7. See *Corpus Juris Secundum*, Vol. 66, p. 9461. This common law approach is being supplemented by statutory laws which proclaim the mere existence of a pollution source a nuisance, apart from demonstrated damage. Such laws are currently being challenged in the courts.
8. Note that if property rights in clean air were easily enforced, pollution would still be produced, but only in efficient amount: polluters would compensate those damaged, and would reduce pollution until further reductions were more costly than fully compensating all those harmed.
9. If many well-owners pump more rapidly from many pools, ignoring the "user cost," or reduced availability from each pool later, then oil market prices can be depressed. That happened in the United States in the 1930s, leading to government control of oil well production. See Edward Mitchell, *U.S. Energy Policy: A Primer* (1974).
10. A relatively nontechnical presentation of the economics of government failure, paralleled by this section but with emphasis on different applications, is Gwartney and Stroup, *Economics: Private and Public Choice* (1980), 2nd edition, chapter 32. See also McKenzie and Tullock, *Modern Political Economy—An Introduction to Political Economy* (1978), chapters 5 and 6; Charles Wolf, "A Theory of Non-market Failures;" and William Mitchell, *The Anatomy of Government Failures* (1979).
11. For more rigor and detail on this and related aspects of the political process see Gordon Tullock, *Toward a Mathematics of Politics* (1967).
12. John Krutilla and Talbot Page, "Paying Tomorrow for Energy Today," *Resources*, No. 49 (June 1975).
13. In reality, the value of the mine in "current" development is subject to some uncertainty, particularly since development is not really confined to one short time period. But the degree of uncertainty is small relative to development farther into the future. One could work with a similar, though much-compressed, distribution of estimates of value in current use, but that would seem to add complexity with no change in the basic outcome in comparing private and collective management systems.
14. Median voter is the individual whose E(P) splits the distribution, in the sense that half the other people lie above him, and half below.
15. Robert Solow, "The Economics of Resources or the Resources of Economics," *American Economic Review* 64 (May 1974):10.
16. Solow, "The Economics of Resources or the Resources of Economics," 13.
17. Anonymous, *Detailed Fact Sheet: The President's Energy Program.*
18. See Weidenbaum and R. Harnish, *Government Credit Subsidies for Energy Development* (1976).
19. See Weidenbaum and Harnish.
20. Table constructed by Shelia Hart.
21. John Baden, "Subsidized Destruction of Alternative Energy," mimeo, Center for Political Economy and Natural Resources (October 1979).
22. Eleanor Leacock, "The Montagnais 'Hunting Territory' and the Fur Trade," *American Anthropologist* (1954), page 12.
23. Frank Speck, "A Report on Tribal Boundaries and Hunting Areas of the Malecit Indians of New Brunswick," *American Anthropologist* (1946).
24. See also by Baden and Stroup "The Environmental Costs of Government Action," *Policy Review* (Spring 1978):23–38; "Response to Krutilla and Haigh," *Environmental Law,* Vol. 8, pages 417–421.
25. See Harold Demsetz, "Toward a Theory of Property Rights."
26. See Charles Schultze, *The Public Use of the Private Interest,* and James Schlessinger, "Systems Analysis and the Political Process."

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I

Natural Resources and Property Rights

The decade of the 1970s witnessed an increased concern for protecting our planetary environment and wildlife. Increasingly, the issues of pollution, endangered species, wilderness preservation, and energy conservation sensitized a broad constituency to the need for "ecological consciousness," the need to see the interrelatedness of all living biological and organic processes.

How can we best preserve our environment and ecosystem? Through centralized government planning and allocation, or through the private property institutions of a free market? A deep suspicion against the market society's self-interest and profit motivation colors the perception of many observers of the current "crises" involving natural resources, whether the energy crisis, the water crisis, or the wildlife conservation crisis. One paradox may draw attention to an underlying cause of all such crises. In the November-December 1979 issue of *World Research Ink* devoted to environmental issues, Robert Smith, for five years a president of a county Audobon society and author of *Earth's Resources: Private Ownership vs. Public Waste* (Washington D.C.; Libertarian Party, 1980), observes:

> "The primary cause of the disappearance of wildlife has been common or public ownership and the regulations drawn under various government statutes.
>
> Privately owned and managed wildlife flourishes. The American bison is nearly extinct, but the country's ranches abound with Herfords, Guernseys, and a vast array of different types of cattle. Numerous species of antelopes, goats, sheep and other prized big game animals have disappeared from their native haunts, yet survive throughout the American West in private game ranches, farms, and preserves."

These different results in wildlife conservation derive from two different systems of property ownership and management. Whereas private property motivates owners to a sustained-yield use and conservation of wildlife, common or public property promotes overuse and waste. The reason for this bias towards waste and exploitation (not only of wildlife, but of all natural resources) under a system of public or common property has been clarified in Garret Hardin's famous essay, "The Tragedy of the Commons," (in Garret Hardin and John Baden eds. *Managing the Commons*. San Francisco: W.H. Freeman and Company, 1977).

In a "common pool" situation of public ownership or "commons," where everybody "owns" the resource, each person will be inclined to use as much of the resource as he can, since he will reap the immediate "benefit" (of buffalo, forest, minerals, etc.) and pass on the "cost" of depletion to the rest of his fellow

"owners." Needless to say, others share a similar self-interest and rapidly the natural resource in question becomes depleted.

By contrast, private property titles in natural resources—whether oil, whales, buffalo, forests—tend toward conservation and a sustained yield, since the individual owner bears both benefit and costs. Too rapidly depleting a resource will affect one's long-term revenues. In this issue of *Literature of Liberty*, Richard Stroup's and John Baden's bibliographical essay explores the relative incentives and consequences of private vs. public property for natural resource conservation and allocation. The following summaries likewise explore similar themes in the areas of water resources, energy conservation, forests, and mineral resources. The importance of clearly defined and transferrable property rights is a recurrent theme, together with the contrasting principles of market vs. governmental management of natural resources.

Indian Water Rights

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"The Dark and Bloody Ground of Indian Water Rights: Confusion Elevated to Principal." *The Western Historical Quarterly* 9(October 1978):455–482.1

The future of American Indian life crucially depends on water rights. Of the nation's 370,000 reservation Indians, 75% live lives of deprivation in the arid West. These Native Americans suffer the highest unemployment rate, the lowest per-capita income, the least formal education, the highest suicide rate, and the highest death rate from alcoholism. Much of this deplorable status stems directly from a fundamentally flawed, century-old assortment of U.S. government policies to "civilize" tribal Americans. One disastrous policy was the government's crude handling of Indian water rights. The Indians' new "civilized" lives as ranchers and farmers failed because the dry land caused by inept government policy failed to bear the fruits of husbandry.

Historically, this failure stems from tampering with the Indians' common law water rights by water-hungry immigrants from east of the Mississippi. Knowing which products of the West would yield the greatest market returns, white immigrants quickly jettisoned English common law and devised a water rights law called "prior appropriation." That is, the first person to use a water source for productive purposes acquired primary and often exclusive rights to that source.

This doctrine undercut the reservation Indians. At the Gros Ventre reservation (Fort Belknap, Montana) Indian life depended on the free flow of the Milk River. However, 'prior' claimant Henry Winters diverted so much of the river's flow upstream from Fort Belknap that during the drought of 1904-05, the Milk River ceased to flow past the reservation. The administration moved to avert mass starvation and precipitated the landmark Supreme Court case of 1908, *Winters v. United States*. The Court held that Indians possessed prior or reserved rights to water that superceded the rights of Winters or, indeed, of any so-called prior claimant. The court also ruled that ambiguities in laws governing reservation life should always be decided in favor of the Indians.

Although hailed as the Magna Carta for reservation Indians, the court ruling con-

tained a key ambiguity: Did the Indians themselves reserve rights to the water or did the federal government reserve it for them? Did *Winters v. United States* mean that non-Indians would be compelled to purchase all property taken at the expense of this aboriginal right? Or, by a second interpretation, were property holders responsible solely to the United States government?

The obvious benefits to non-Indians of the second interpretation led to a subtle undercutting of Indian rights to water. Federal policies have failed to join action with equity, and the present status of Indian well-being, consequently, is little better than it was before the *Winters* case. The Indians have unavoidably relied on slow-moving court-made law. Governmental policies that continually frustrated the Indians' full exercise of water rights, so that no means other than government court action have been available to redress Indian grievances. However, courts are notoriously slow to act, notoriously ineffective at implementing policy, and notoriously ambiguous with respect to Indian rights. Thus, the exploitation of Indian rights by non-Indians continues. Only a major emphasis on equity can reverse this century-old practice of legal neglect and flagrant violation of water rights. Nothing less than the future of reservation Indian life turns on this practice being reversed.

Resources and Bureaucrats as Predators

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"Natural Resources and Bureaucratic Predators." *Policy Review* 11(Winter 1980):69-82.

Environmentalists and taxpayers agree that our bureaucratic natural resource managers consistently sponsor policies that: (1) have environmental costs exceeding environmental benefits; (2) are financially extravagant; and (3) increase the coercive governmental sector of the economy at the expense of private, voluntary exchange.

Our government resource managers systematically mismanage and produce suboptional results. This is due to perverse, the institutional structures of government in such areas as timber production and range land management.

The U.S. Forest Service obeys political interests rather than market signals. Thus, it engages in inefficient and environmentally harmful logging in economically unproductive timberland. Losses are met by taxes rather than increased productivity. Similar bureaucratic mismanagement occurred in Western States because the Bureau of Land Management (BLM) allowed land to be grazed as a huge common property pasture. With no private property rights defined, this common property resulted in overgrazing, a classic case of what Garrett Hardin terms "tragedy of the commons." Other BLM measures upset the delicate ecology of vegetation for wildlife and fish.

What leads to such bureaucratic waste and mismanagement? This occurs because that part of the U.S. Treasury allocated to bureaucratic budgets also resembles the "commons." Rival bureaucratic agencies view the treasury as a common pool resource since it has non-exclusive ownership and thus encourages competitive, wasteful, self-maximizing exploitation of that resource (i.e. taxpayers' money).

What would cure assault on the budget by bureaucrats who are immune to the market discipline of profit and loss? We need a "Bureau of Budgetary Control (BBC) whose key task is to advocate budgetary reductions. The BBC would have built-in incentives to act as a predator to prey upon those budgetary items of rival bureaucracies whose social costs outweigh their social benefits. We can

exploit for social benefit the very pathology of bureaucracies to grow and perpetuate themselves. The BBC, acting as the taxpayers' ombudsman, would only continue receiving its current allocated budgetary monies if it was a successful "predator" that exposed waste and ill-conceived programs of rival bureaucracies (such as the Bureau of Land Management). If the BBC, for example, convinced Congress of waste in BLM, the BBC would be awarded a percentage of BLM's former budget as a bounty. This "predator" system would thus rely on bureaucratic self-interest to advance the public interest. The losses incurred by wasteful, ill-managed rival bureaus would create strong incentives for them to avoid projects of dubious utility.

Government Energy Conservation

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"The Performance of Government in Energy Regulation." *American Economic Review* (May 1979):352-365.

President Carter's claim that "we can have an effective and comprehensive energy policy only if the Federal government takes responsibility for it." But the "record of past energy policy does not lead one to be confident that more intervention will improve resource allocation. An alternative national energy policy would be to let the market allocate scarce resources."

Judged by the standard of optimum resource conservation, the government's performance in energy regulation over the past 50 years has been a wasteful, counterproductive failure. A half century ago the Congress allowed percentage depletion tax allowance for oil and gas production. Later it permitted companies to expense intangible drilling costs. These tax subsidies encouraged capital flows for energy exploitation, more production, and lower energy prices. But (by the government's present values) these "artificial stimulants" contributed to the energy crisis of the 1970s by encouraging consumption, and thus worked against conserving energy.

Additionally, in 1959, President Eisenhower imposed import quotas on foreign oil. This regulation violated free trade, protected and profited domestic oil producers, and stimulated additional domestic production of a non-renewable resource.

The government imposed its price controls on natural gas in 1954 and regulated crude oil in the same way in 1971. The resulting artificial low prices led to high demand for natural gas and a consequent shortage through the inevitable reduced supply. But substituting oil for the lack of natural gas led in turn both to increased dependence on imported oil and to balance of payments problems. The effects of oil price controls, in a complex fashion, transferred wealth from crude oil producers to refiners. Oil and gas price controls also misallocated resources because of the high cost of a price control administration and the costs of industry complaints.

Detailed evidence refutes the standard arguments against eliminating government price controls: (1) that free prices would imitate alleged OPEC monopoly prices; (2) that market clearing prices would harm the poor; and (3) that energy deregulation would give "windfall profits to oil and gas producers."

Government energy regulation makes sense neither economically nor as a conservation measure. Such counterproductive public policy results from the standard inefficiencies of government revealed by political economy: (1) Politicians' main goal is not to conserve energy but rather to stay elected. Hence they bow to the pressure of such interest groups as consumerists and environmentalists. (2) Con-

gressmen can easily pass on the negative "externalities" of their wasteful regulatory policies to uninformed taxpayers and energy consumers. (3) Since the legislative process is a compromise, and ideal allocating and conserving policy is not likely to emerge. (4) Whatever legislation does emerge must be administered, usually for the benefit of politically dominant interest groups. (5) Finally, it is unlikely that direct and indirect costs of government regulation will be less than the alleged imperfections in the marketplace.

Timber, Property Rights, and Government

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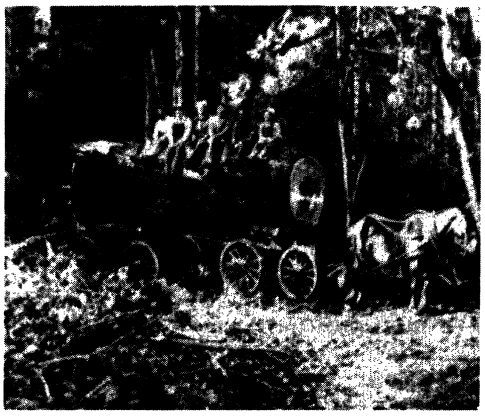
"Property Rights, Nineteenth-Century Federal Timber Policy, and the Conservation Movement." *Journal of Economic History* 39(March 1979):129-142.

Economics teaches that, "given fully-defined property rights, resources will be guided by market allocation to their highest-value user." Legal restrictions hindering the transferability of resources impose costs termed the "dissipation of rents." The authors argue that federal timber policy of the late nineteenth century created significant rent dissipation. Congress restricted the transfer to private ownership of public timberland in the Pacific Northwest to 160 acres per claimant. Thus, private lumber companies could not directly buy from the government the large acreage of forested land needed for economies of scale in logging operations.

Before the late nineteenth century and the rise of the conservation movement, most officials considered private property rights as a means of conserving the nation's timber. But conservationists such as Gifford Pinchot argued that a timber famine would result from selfish private interests unless a national forest reserve system was established. Beginning in President Harrison's administration, this government intervention led to eventually over 184 million acres of land being reserved. Yet the real culprit of forestry misuse was not private industry but rather the costly federal land transfer policy. This government policy was restrictive and increased transaction costs in assigning private property rights to the forests of the Pacific Northwest. Paradoxically, federal laws "delayed the transfer of property rights and as a result actually encouraged the rapid cutting observed by the General Land Office in the 1870s and 1880s.

The lumber companies circumvented federal restrictions on the amount of land ownership by having their agents buy separate land parcels only to transfer them to the lumber companies. However, the estimated costs for evading the restrictive law were excessive since federal policy had significantly driven up the transaction costs of land sales.



The Reclamation Service's Tahoe Fiasco

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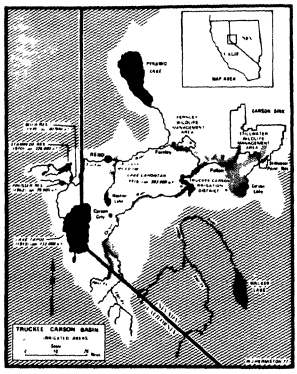
"Conflict over Conservation: The Reclamation Service and the Tahoe Contract." *The Western Historical Quarterly* 10(April 1979):167-190.



The *San Francisco Examiner* headline of June 29, 1909 summarizes an act of a bizarre government conservation project: SECRET DEAL WITH U.S. PUTS TAHOE IN SYNDICATE'S CLUTCHES. Theodore Roosevelt's Newlands Reclamation Act (1902) gave birth to the first federal desert reclamation project in 1905, the Truckee-Carson project. The goal was to supply irrigation for farmers to reclaim some 400,000 acres of desert in Western Nevada for crops. The hope was that the Federal Reclamation Service would stimulate the flagging economy and dwindling population of Nevada following the end of the Comstock silver boom of the 1870s. But in 1908 drought hit Nevada and government engineers learned that Washington's first publicized irrigation project was imperiled by an insecure water supply. Few farmers would risk settling in a desert. In order to save face, and control the waters of Lake Tahoe for a water reservoir, "The Reclamation Service accepted a one-sided contract with an eastern power syndicate," (Stone and Webster Company) which owned the outlet dam. The private company would divert water from Tahoe to save the Service's irrigation project.

The Reclamation Service's proposed lucrative contract with a private company "violated the spirit of national conservation policies and threatened the scenic beauty of the lake itself." The Truckee-Carson project and this contract expose the poor public planning of the Reclamation Service, as well as the "relationship between resource agencies during the Progressive Era." It also invalidates the view that federal reclamation fits Samuel P. Hays thesis in *Conservatism and the Gospel of Efficiency: The Progressive Conservation Movement, 1890-1920* (New York, 1969). According to Hays, government resource planners sought to be "above politics," to promote a technocratic "rational" and "efficient" use of natural resources. But the Nevada Reclamation experience and the Tahoe contract reveal no such disinterested experts rationally coordinating "regional resource planning." The poor performance of the Reclamation Service ran afoul of: states-rights claims by California Governor Hiram Johnson; Lake Tahoe property owners, who feared harm to the lake's environment; and fostered the appearance of corruption through a one-sided contract that "would add $500,000 yearly to the power company's profits." Added to this barrage of criticism was the opposition of the Department of Agriculture Chief Forester Gifford Pinchot and his National Conservation Association.

Finally in 1911, the Eastern power company grew "weary" and withdrew from the contract that was intended to save face for the Reclamation Service. In 1913 the Reclamation Service's spokesman, Newell, justified the agency's fiasco at Lake Tahoe in terms of a basic Progressive credo: "the greatest good for the greatest number." The reasons for the Service's failure were many: poor administration, poor planning, and overbureaucratization. The service engineers could build first-rate dams, but gave little thought to overall conservation questions. Too much trust was placed in centralized planning and management by narrow, elitist technocrats.

Mineral Rights and Government

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"Government Support of Private Claims to Public Minerals: Western Mineral Rights." *Business History Review* 5(Autumn 1979):364-385.

Legal definitions of land tenure and property rights determine the nature and pace of economic growth. Economic activity and interest can, in turn, influence legislation. This legal-economic interaction in nineteenth-century United States can be clearly seen in a study of government support for private property mineral rights in the famous gold and silver mining region of the Comstock Lode in Nevada.

Since the Comstock region lacked organized government and since the U.S. Congress had, in 1866, no procedure for transferring mineral rights to private individuals, mineral claimants had to voluntarily develop property rights institution to legitimize and protect their investments. The evolution of private ownership of mineral rights in the Comstock Lode illustrate the response of legal and government institutions to private economic enterprise. Eventually the Comstock mineral law was incorporated into the Federal Mining Statutes of 1866 and 1872, which still governs the assignment of private rights to metal on the public domain.

At the time of the Comstock Lode discovery in January, 1859, claims to property titles to the land and mineral rights were bound to cause confusion because the land was in the "public domain" with no provisions for private appropriation. Miners were technically trespassers even though the Federal Government did not usually enforce its own claims. Furthermore Congress had generally reserved mineral lands from private ownership. Since disputes naturally arose over rival claims to underground overlapping veins of gold and silver, the need arose for more precise and enforceable property titles and ownership. Thus, voluntary written rules were devised prescribing claim location and size as well as arbitration procedures. An example of this private development was the Gold Hill rules (1859), which were enforced by a claim recorder and a miners' court. Only those miners who followed camp rules were granted locally-recognized mineral rights.

The mining camp rules for Gold Hill and Virginia City, Nevada changed with subsequent economic developments. The need for capital to explore deeper veins of gold led to incorporation of the mines and mining stock. After Congress granted Nevada territorial status in March 2, 1861, the new territorial government supplemented the mining camp rules in support of local and private mineral rights. But in reality the territorial government courts could not deal with so much litigation. In 1864 the threat of the federal government's taxing and selling the laissez-faire established mineral rights to pay the Civil War debt pressured local miners to seek a state government for Nevada. Opposition to federal intervention in local mineral rights continued after statehood and the Nevada Senators defeated Congressional bills to sell off the mining lands already "owned" by local Nevada miners. In 1866, Congress "ratified existing claims, and placed the legislative and judicial support of the federal government behind such local property regulations as the Gold Hill camp rules." The miners' goal in the legislation was to remove the threat of government abrogating local rights and to protest existing property rights.

Thus, the Nevada experience reveals how resource owners are moved by economic interest to obtain clear legal definition of their rights. This need for clear property title led to a series of institutions that assigned and guaranteed private mineral rights. The mining camp rules of 1889, the territorial government measures in 1861, the state government provisions of 1864, and the federal mining law of 1886.

Market Protection of Property Rights

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"An American Experiment in Anarcho-Capitalism: The *Not* So Wild, Wild West." *The Journal of Libertarian Studies* 2, no. 4(1978):9-29.

How viable and effective are property rights in the absence of a formal government? The American West from 1830 to 1900, when formal government was long absent, allows us to see how that free market or a voluntary contractual society provided for non-governmental "laws." In general, the free market society of the West protected property rights, and civil order prevailed.

The absence of formal government did not result in the western frontier of the United States being as wild as legend has it. The free market and non-governmental incentives provided protection and arbitration agencies that functioned well and either completely replaced or largely supplemented federal government. The disorders that did result generally support the contention that agreement on initial rights is very important for the effectiveness of the non-governmental, market society known as "anarcho-capitalism."

In the West, private contractual agencies frequently created an orderly society, protected property and resolved conflicts. Not having a legal monopoly on "keeping order," these agencies do not qualify as governments. Since warfare and violence were economically expensive ways of resolving disputes, the free market evolved less expensive and more social methods of conflict-settlement through private arbitration and courts.

Four examples of institutions that approximated free-market, non-governmental agencies in the old West were land clubs, cattlemen's associations, mining camps, and wagon trains. These examples support the belief that the free market can enforce private rights without chaos. In relation to natural resources ownership and management, the voluntary land clubs and mining camps were instructive.

"Land clubs" or claims associations arose in the Middle-West as a market and "extra-legal" response by pioneer settlers to deal with the problem of protecting and enforcing property rights in the absence of an effective government. Each law club adopted its own constitutions and by-laws, elected officers, established rules for adjudicating disputes, and set procedures for registering and protecting land claims. The Claim Association of Johnson County, Iowa functioned effectively in such manner and charged its members fee payments to defray arbitration expenses. Sanctions against those who did not abide by the land club's rules allowed for force but also for social and economic boycott or ostracism.

The mining camps with their free market law system that arose in the West following the discovery of gold in California in 1848 illustrate again the voluntary, non-governmental approval to social order and the protection of mineral rights. Since the miners anticipated that they would be without a formal state structure to define and enforce their rights and claims to minerals, many groups devised mining camp rules before leaving their homes. These voluntary contracts resembled company charters and stipulated the rules governing relationships between individuals. These miners did not "recognize any higher court than the law of the majority of the company." The miners' free-market law functioned effectively and often better than the subsequent government law. Competition among the miners courts and their desire to repeat "business" made each court more cautious and responsible for mistakes.

In these two selected cases of land clubs and mining camp rules, we see that rights to natural resources in land and minerals can be protected by non-governmental agencies.

Government Water Planning

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"A Critique of Collectivist Water Resources Planning." *The Western Political Quarterly* 32(September 1979):320-326.

Demand for water is outstripping its supply at existing prices, particularly in Western states. In the name of allocating water for the "public interest," many analysts seek to solve this problem by expanded federal and state involvement in the planning and management of entire river systems. But proposals for increased public planning and management of water resources are unsound. Their faulty planning theory "ignores the individualistic nature of social relationships and neglects the role which markets play in allocating resources to competing uses according to a single measure of value: the marketplace." It is impossible to plan or allocate resources efficiently without market exchange and price signals.

Government planners fail to see that human action is not a collective whole, but a complex system of interacting individuals and groups. Thus "a river basin is not one large farm, but a complex network of social relations which involve private property, common ownership, markets, elections, campaigns, interest groups, pressures, government commands, crime, and corruption." How can government planners maximize the welfare of such a collective entity as a "river basin," without regard for the welfare of the individuals involved? The government planner can have no idea of "the total, let alone the relative value of the resources" he deals with in his plans. By contrast, private planners who own resources maximize social utility by allowing the free market price mechanism and individual choices decide to which uses water will be put.

The "water problem" is not one of insufficient physical supply of water; it results from public policy-makers' inability to rationally allocate water for alternative uses. Consequently, federal irrigation projects have so wasted large amounts of water that in the arid West "less than half reaches the intended crops." This waste results from non-market underpricing of water, which encourages users to waste so "cheap" a resource. Similarly, government planners, in a misguided desire to minimize the economic losses due to floods, have subsidized flood insurances and supplied "disaster relief" money to areas plagued by floods. These non-market plans have "made it profitable for people to suffer flood losses" rather than locate in less flood-prone areas.

Better functioning markets, rather than more public planning, will efficiently allocate water resources in the United States. But, to operate properly, markets require that property rights (in water) be "well defined, secure, and transferable." At present, much water is wasted because its "collective public ownership" subjects it to political interest-group decisions or the irrationalities of public planning. The solution is to turn over water resources to private industry. "Water rights should be owned by private individuals and corporations. . ." Then private markets will "efficiently allocate the available supply to those uses which yield the most value."

Indians, Property, and Conservation

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"Myths, Admonitions and Rationality: The Americans Indian as a Resource Manager." Paper presented for the Center for Political Economy and Natural Resources: Montana State University: January 30, 1979, 18 pages.

The North American Indians shared a deep reverence for nature. Yet even this profound set of cultural values and ecological sensitivity were not sufficient to produce sound environmental practice. A survey of diverse North American tribal groupings reveals how the economic pressure of relative prices and costs led to wasteful consumption and anti-conservation practices when private property institutions were lacking. Conservation and a balanced ecological system require the incentives to good resource-management that private property provides. Indian history documents the "tragedy of the commons," the sad and ruinous exploitation of land, buffalo, and beaver, which results when natural resources are treated as a "common pool" rather than protected as private property.

Good ecological values alone are insufficient to secure frugality or nature conservation. Thus, the Indian cultures of the Pacific Northwest were frugal and conserving when natural goods were economically scarce, but were increasingly "wasteful" of natural goods in times of economic abundance. In good times these Indians engaged in the conspicuous consumption of the "potlatch." The potlatch ceremony consisted of lavish gift-giving, as well as deliberate destruction of vast amounts of wealth to impress guests.

Changes in relative economic "prices" also led to a change in the Great Plains Indians' use of the buffalo. As the Plains Indians found the "cost," or price, of hunting buffalos less expensive (through the technology of the horse and gun), they became less "frugal," and frequently killed the buffalo merely for the tongue and two strips of back strap. The real reason for the buffalo being driven to the point of near extinction was that without clearly defined property titles governing the use of the buffalo, Indians were incapable of managing the buffalo as a "common pool resource." From an environmental view, communally-owned resources (such as the Great Plains buffalo) tend to be wasted and exhausted because individuals respond to relative costs and benefits. In this common pool or communal ownership situation, "the benefits from harvesting one more buffalo accrue to the individual hunter, while the costs of depleting the herd are shared among all the hunters." Overuse is predictable whenever the abuse of private property prevents a definite owner from bearing both costs and benefits.

Unlike the buffalo (virtually condemned to extinction through their common property status), the beaver was protected by the evolution of private property rights among the Montagnais Indians of the Labrador Peninsula. The Montagnais fur trappers were successful in adopting conservation practices to manage the beaver on a sustained yield basis because, as private owners, they were able to personally collect the benefits. Private property institutions and incentives harness self-interest toward environmental conservation; common property, by contrast, allows self-interest to waste and exploit nature. Thus, when white trappers in the nineteenth century ignored the Montagnais's property rights to their hunting territories, the Montagnais no longer saw it in their self-interest to conserve the beaver. The Montagnais, without the incentives of respected property rights, had little stake in conserving the beaver for the profit of rival white hunters.

Political or Voluntary Ecology?

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"Recycling Hobbes: the Limits to Political Ecology."
The Massachussetts Review 20(Spring 1979):9-40.

The ecology movement stands as one of the enduring contributions of 1960s' populism to the political and social consciousness of the nation. Efforts aimed at protecting and preserving the environment have continued unabated into the 1980s. Nonetheless, Prof. Holsworth seeks to demonstrate in his article that a significant difference of political ethos separates the grassroots exponents of ecology during the 1960s from the more scientifically-oriented spokesmen for the movement today. An ecologically sound, yet humane society in the future is possible.

"In the 'Sixties," Prof. Holsworth writes, "the idea of democratic competence was infused with a practical and effective richness rarely seen in our history. This permitted the environmental movement to escape the suffocating boundaries of the conservation movement and to nourish a political analysis which espoused organized citizen action as the antidote to public decision-making by private concerns."

In the late 1970s, however, concerns of political ecologists shifted their focus from awareness and action on a mass scale to technical proposals for ecological management which rely heavily upon elitist control and authoritarian government for their effectiveness. Writers such as Paul Ehrlich, Garrett Hardin, Robert Heilbroner, and William Ophuls combine scientific expertise with a catastrophist mentality which envisages the destruction of the human race as an imminent possibility. They counsel firm and immediate measures to avert this threat. At the same time, they hold an almost Hobbesian view of human stupidity, and rapaciousness which makes them despair of men's ability to desist from self-aggrandizement, even when their own survival requires it.

Holding high the banner of "competence" as the legitimizing principle of authority, these new political ecologists envision a Leviathan-like state replete with "macro-constraints" and "micro-freedoms." The latter are limited to those "personal" areas which exert a minimal impact on the larger society. Prof. Holsworth points out, however, that the personal *is* political. Individual desires, hopes, fears, and manners of living are connected to our social and political mores. Ringing calls for limitations on "the right to breed" (a seemingly obvious micro-freedom) highlight the impossibility of separating the two realms.

If there is to be an alternative to meager survival through despotic constraint, Prof. Holsworth suggests that an alternate view of human nature is essential. His view emphasizes the basically *social* character of human beings. Far from being self-serving barbarians who must be drubbed into obedience for their own good, human beings demonstrate a capacity for cooperation which makes popular participation, not elitist control, the more humane and ultimately more successful option for any future society. Even in our own day, citizens acting in concert have brought about many of the ecological movement's most significant victories.

By mobilizing the potent force of popular participation, we will also do much to foster those social values whose absence has caused many of our environmental difficulties, values such as community decision-making, farsightedness, compassion, and the equality of classes. With a revitalized and flourishing public life, Prof. Holsworth feels confident that we can run the race against environmental destruction, not as isolated competitors nor as obedient footmen, but as friends eager to encourage those who falter and to minister to those who stumble.

II

War, Peace, and Empire

In *Art and Social Responsibility* (London: The Falem Press Limited, 1946), dedicated to Sir Herbert Read, Alex Comfort identifies mankind's chief enemies as death and political power:

"The romantic recognizes a perpetual struggle upon two levels, the fight against Death . . . and the struggle against those men and institutions who ally themselves with Death against humanity, the struggle against barbarism. These are the two subjects of the Breugal paintings, *The Triumph of Death* and *The Massacre of the Holy Innocents*. In the first, a gigantic host of skeletons are riding down manhood. In the second, the Duke of Alva's soldiers are butchering Flemish peasants and their children. . . . These are the enemies of humanity, and of the standards of beauty and of truth which exist only for and in humanity—Death and Death's ally, irresponsibility."

A similar protest against the inhumane forces of destructive political power and war is repeated both in Picasso's *Guernica* and on the right panel of Hieronymus Bosch's triptych *The Garden of Earthly Delight*. In the modern nuclear age, the potential devastation to civilian population from warfare baffles comprehension. The following summaries dealing with the issues of war, peace, and foreign policy show the sobering interaction of state power and the intimidation of death. The focal point may vary—oil diplomacy, Indian policy, dollar diplomacy, the progressives and imperialism, war technology, atomic warfare, or Vietnam—but the recurrent theme is power and the risk of warfare and death.

American Foreign Policy

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"The Mythical Crisis of Presidential Leadership: Prologue to a Paper on the Carter Administration's Foreign Policy." Paper presented to the Seventh Annual Libertarian Scholars Conference, New York, October 26, 1979, 42 pages.

The nation has become fixated upon the idea of presidential leadership: the notion that a President can somehow lead the country out of its present problems. Thus each President's popularity falls with his failure to do so. What this ignores is "the unchanging nature of American foreign policy objectives over seven or eight administrations since World War II," and "how remarkably little personalities have mattered." What is happening to the U.S. is no more President Carter's fault than any of the other's, while the Presidency itself, for most of a century, has been "systematically overrated."

What has occurred to the U.S. relates to an intersection of two kinds of restraint, both "structural, and therefore not so easily alterable." (1) At an international level, events are for the most part simply beyond American control, or at least disproportionately expensive for any return. (2) Domestically, the constraints are economic, social, political, and, ultimately constitutional. It is difficult for a President to start a war, and certainly more difficult to be able to finish it. Despite military spending and verbal bellicosity, it is not clear that the nation would go along with a war. Indeed, the people, as envisaged by the Founding Fathers, have shown more restraint in foreign affairs than other politicians and strong Presidents. There is a crisis of American power in the world, but it is not a crisis of the American spirit. This will mean some painful readjustment after a growing hegemony of almost a 100 years.

The Carter Administration has done little to accept these changes in external circumstances, but rather has carried on much like previous administrations, but with some novel policy thrusts such as human rights and nuclear nonproliferation. The unfortunate result has been not the multipolar balance of power pushed by Nixon and Kissinger, but "across-the-board global competition with the Soviet Union." Nixon and Kissinger meant by "linkage" an effort to involve the Russians in a web of commercial contacts which might help to avoid a crisis. "Carter and Brzezinski turned linkage from a carrot into a stick." Given Soviet problems with the economy, China, dissidents, and minorities, this was the time to exert pressure. This was coupled to the idea of a forward defense of creating situations of confrontation, and with the concept of a Unilateral Corps of about a 100,000 men as the core of a rapid strike force.

Why, despite their verbal assurances, have the policymakers done this: the "reluctant" implementation of the foreign policy of the hawks? Because they were committed to the same basic paradigm as their predecessor's, with far less power in the changing external circumstances. The constant elements in this paradigm have been deterrence and alliance. Deterrence has meant seeking to maintain an "essential equivalence" with our global adversaries in strategic nuclear arms, and at the same time providing "nuclear umbrellas" over our allies. Finally, deterrence has been perceived by all concerned as implying "the maintenance of a perpetual balance." Alliance, the other element in the paradigm, has meant commitments to protect nations which, for a number of reasons—strategic, social, or political—we have felt important. From this has developed the aid, bases, military assistance, and other support. Within this rather constant paradigm there has been an ongoing debate over short-run tactics which has at times given the illusion of change by one administration or another. But this U.S. paradigm is basically flawed and almost impossible to sustain in the present chang-

ing global circumstances.

What has frustrated the desires of the policymakers over the years in terms of ultimate power have been the values of individual liberty and economic freedom built into the American system, and which have tended to obstruct the mechanisms of conscription and taxation. Basically, "what is happening is that we are being priced out of our present national strategies and foreign policies."

The problem with deterrence, as opposed to a broader defense, is that the bluff and pretense involved increase the credibility and destructiveness of war.

What is needed is a new paradigm for American foreign policy based upon conflict avoidance and self-reliance. Interventionism is not basic to our security and we can no longer pay the costs which are entailed in maintaining such a capability across a whole spectrum of technology and geography. We are going to have to adjust to, rather than try to control, our environment.

Oil and Government Policy

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"Mideast Multinational Oil, U.S. Foreign Policy, and Antitrust: the 1950s." *The Journal of American History* 58(March 1977):937-959.

Both the administrations of Harry S. Truman and Dwight D. Eisenhower utilized American-controlled multinational oil companies as instruments of American foreign policy in the Mideast. At the end of World War II, government officials sought to use the oil companies to achieve five interrelated policy objectives: (1) to grant financial aid to Arab governments; (2) to assure American control of global oil trade; (3) to secure for the U.S. a reliable source of crude oil at a reasonable price; (4) to enhance the American economic and political presence in the Mideast; and (5) to prevent the spread southward of Soviet influence into the area of the Persian Gulf. While this policy was effective in the 1950s, by the 1970s it was no longer so.

Of additional historical importance, this policy is fundamental for an understanding of the full impact on the U.S. of the Soviet-American confrontation in the years after the Second World War. It also makes clearer the role of the Korean War in crystallizing ideas about the nations of the Third World, both as bastions against Communist expansion and as sources of raw materials. This emerging policy also reveals the extent to which government (as much or more so than business, since business pushed direction of developments) sought to promote and benefit from the government-business partnership so apparent after the War.

Finally, these policies, in the context of the Cold War, had an enormous effect on the nation's antitrust program which both administrations sought to pursue. The Truman and Eisenhower administrations in theory attempted to enforce a vigorous foreign antitrust policy, based upon a commitment to Wilsonian principles of international free trade. Under Truman, the Justice Department had gone so far as to begin bringing criminal indictments against some of the major oil companies because of their control of oil in the Mideast. The Cold War, and the need to work with and through these oil companies, however, caused both Presidents to alter the direction of this rigorous antitrust program. The criminal proceedings were dropped by Truman, while Eisenhower later "granted the oil multinational corporations certain immunities from the antitrust laws in the production, refining, and distribution of foreign oil."

These policies gave an advantage to the large oil companies as against smaller, independent producers, either American or foreign, and helped them to maintain their dominance of oil in the area. In a more general sense, such actions undercut a major goal of antitrust policies, to help stimulate competition, especially for the smaller businessman. Such a policy caused considerable concern among some officials within both the Justice Department and the Federal Trade Commission.

At the international level, this policy undermined any arguments which were offered in favor of free trade and against international cartels. It is probable that the cartel, in effect created by these arrangements, offered a model for, and thereby contributed to, the later formation of the Organization of Petroleum Exporting Countries (OPEC), as it simply took over the cartel and gained control of global supplies of oil.

The Korean War institutionalized the policy of containment and greatly expanded the already growing powers of the Executive. This in turn further expanded the government's involvement in the economy, for foreign aid to Third World nations meant encouragement of private investment, through "such schemes as investment guarantees and various tax credits." In the Mideast, in particular, this meant a controversial plan whereby taxes by Aramco oil to the U.S. were paid to Saudi Arabia instead.

Finally, it was the crisis in Iran in the early 1950s which helped to push such decisions as that of relaxing the antitrustpolicies. When the Iranian government moved against British Petroleum, the American government moved to increase the role of American companies in that nation. This in turn gave the companies a basis to argue against the antitrust proceeding then building up against them. In finally taking that line because of national defense, there is some evidence that Truman later believed he might have been duped by the National Security Council. But Eisenhower continued these policies.

War, State, and Nation

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"War and the Nation-state." *Daedalus* 108(Fall 1979):101-110.

There has always been a close, symbiotic relationship between the state and warfare, since a major part of the state's power is based upon its claim to legitimately use force. European history in the seventeenth and eighteenth centuries was increasingly military, and the emergence of the "nation" concept meant ever more total and violent. Nationalism was characterized by militarism and most nations were born out of war. The idea of the nation gradually merged into the biological concept of race which was inculcated by the growing state schools and sanctified by the national religion: State and Nation were fused into one!

The excesses of the First World War saw some reaction against this nationalism, and after the Second World War there was sober reflection upon the moral aspects of strategic bombing and the use of nuclear weapons. More recent protests have grown out of the state's acknowledgement "that it could protect the community from total annihilation only by posing a threat to inflict comparable destruction on the civil society of its adversary."

Beyond theproblems of command and control of nuclear weapons, democratic states have been faced with the problem of legitimatizing constitutionally the use of clandestine forces, such as the Central Intelligence Agency in the United States. As a result, the state apparatus has become isolated from the rest of the society: "a

severed head conducting its intercourse with other severed heads according to its own laws. War, in short, has once more been denationalized. It has become, as it was in the eighteenth century, an affair of *states* and no longer of *peoples*."

The result has been a growing sense of alienation between the actions of a state and its citizenry, of which the American protest against intervention in Vietnam was but one example. Where people are free to express their views, the military is increasingly seen, as it once was by nineteenth-century English-speaking liberals, as a professional group with values and interests different from the rest of the nation. Some argue this "robust Whiggery" is the basis of a free society. What is viewed by the conservative pessimist as a disintegration of order is for the radical optimist the beginnings of a new order which might transcend the war system.

There are some problems with this optimism. Despite its problems, the old nation-state did have some sense of community. There is no real sign that present European society is, however, growing any more unified, but rather that the contrary is occurring. The erosion of the state's monopoly on force "can only lead to chaos" as "very few militant activists are in principle anarchist." In the Third World and in Communist societies, the state is still a long way from withering away. The denationalization of war found in the West is not typical of the world as a whole. It may be that a strong national myth is necessary for a viable society to function. "Wars have arisen at least as often from the disintegration of decadent states as from the aggression of strong ones. The decline of national loyalties, in spite of all the hopes placed upon it by generations of liberal thinkers, will thus not necessarily enhance the prospects of world peace."

Early U.S. Indian Policy

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"Confrontation at Coleraine: Creeks, Georgians, and Federalist Indian Policy." *South Atlantic Quarterly* 78(Spring 1979):224-243.

In mid-1796 a delegation of Creek Indians, Georgians, and Federal officials met at Coleraine, an American frontier outpost on the St. Mary's River, bordered by Spanish Florida, to attempt to settle a dispute over territory. The land in the loop of the river, called Tallassee, was claimed by both the Indians and the state of Georgia, with the federal government tending to side with the Creeks.

The Georgia delegation, accompanied by some twenty militia, was headed by James Hendricks, with James Simms and James Jackson as members also. Jackson had gained some recent notoriety by leading the forces which had revoked the Yazoo Act, "a piece of legislation that had deprived the state of millions of western acres for a pittance."

On the federal side were Benjamin Clymer of Pennsylvania, Benjamin Hawkins of North Carolina, and General Andrew Pickens of South Carolina, James Jackson's old commander at the Battle of the Cowpens during the Revolutionary War. Most of the arrangements for the conference had been made by Commissioner Hawkins, who had arrived at Coleraine in early May. When he arrived, British traders had been busy spreading a rumor that the Georgia militia intended to meet with the Creeks in order to force the land from them. To ease any tensions he issued regulations in essence separating the Indians and the Americans. These irritated the Georgia delegation upon its arrival, as an unconstitutional assumption of control.

This was, however, a reflection of deeper

differences between the two. The federal government under George Washington had stressed centralization of power and a humanitarian concern for the Indian. Georgia, on the other hand, emphasized states' rights, and its primary concern was with the needs of a growing white population demanding expansion and land. Washington had for several years grown more disillusioned with Georgia's relations with the Indians.

The Yazoo bill of 1795, virtually giving away millions of western acres, with title still in dispute with the Indians, to politically involved speculators, had greatly raised tensions on the southern frontier. James Jackson had led the fight to have the legislature void that bill early in 1796. He was hated for this act and had been stabbed by one disgruntled partisan. Jackson came to Coleraine badly wanting to gain clear title over this disputed land for the state.

The federal government was interested in protecting the Indian. Military posts would help in this, while factories, or trading posts, would help to civilize the Indians in the long run. The federal commissioners were concerned about what they saw as several abuses which had been inflicted upon the Indians.

The Treaty signed at Coleraine June 29, 1796, essentially made the points demanded by the federal authorities. Georgian states' rights advocates wondered just who the people were whom the government was supposed to protect. The Federalist Party may have paid a high price, however, for its policy of protecting the Indian, for the state in 1800 turned to the Republicans.

U.S. Foreign Policy and Latin America

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"Reciprocity and Latin America in the Early 1880's: A Foretaste of Dollar Diplomacy." *Pacific Historical Review* 47(February 1978):53-89

The foreign policies of Theodore Roosevelt and William Howard Taft typified an approach known as "dollar diplomacy." "Dollar diplomacy" sought ways to expand American profits and export American product surpluses by inducing foreign governments into trading relationships favorable to the United States. Going beyond threats of mere economic reprisals, the American dollar diplomats occasionally applied direct military pressure to recalcitrant signatories. Although some businesses solicited government aid, the State Department urged financial arrangements with foreign governments.

Was "dollar diplomacy" a revolutionary new departure of the late 1890s, or did it reflect continuity with earlier American foreign policy? These two alternatives define the two conflicting schools of thought among current students of American foreign policy. The diplomacy of the 1880s discloses a coherent pattern of diplomacy uniting late nineteenth-century diplomacy with the policy of the previous century; we also find a foundation being laid in reciprocity agreements for the so-called new departures of military imperialism and "dollar diplomacy."

Reciprocal trade agreements were commenced primarily during the administration of Benjamin Harrison (1889-1893), and reveal a three-fold purpose. First, they cleared channels for American investments in foreign enterprises. Guided by the chief architect of reciprocity, Secretary of State James G. Blaine, the State Department believed that it knew what was best for American business. Second, Blaine hoped that reciprocity with the United States would revitalize the flagging Monroe Doctrine and abate the influence of Great Britain in the Caribbean and southern South America.

Finally, reciprocity was intended to bolster the high protective tariff policy of the Republican party by providing discretion to Congress and the Executive in rewarding cooperative foreign governments with preferential trading relationships.

These political and economic motivations for reciprocal agreements prompted four years of vigorous negotiations with Central and South American countries. When negotiations broke down, Blaine and Harrison applied new pressures. For example, when Spain withdrew from reciprocity talks, Blaine and Harrison directly helped precipitate revolution in Cuba. When Argentina did not accept American terms, the Navy's "white squadron" of New Cruisers were readied to visit the Rio Plata.

The change from a protectionist Republican to a free-trade Democratic administration in 1893 shelved reciprocity and all but destroyed its usefulness when Grover Cleveland signed the low-tariff, Wilson-Gorman bill into law. A few years later, however, all three of Blaine's purposes for preferential trading relationships were embodied in the more vigorous "dollar diplomacy" of the first two Republican administrations of the twentieth century.

Both reciprocity and "dollar diplomacy" sought positive results for American business through persuasion and veiled coercion. Yet both policies' economic intervention produced anti-American sentiment throughout Latin America.

Reform, Progressives, and Empire

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"The Reform Mentality, War, Peace, and the National State: From the Progressives to Vietnam." *The Journal of Libertarian Studies* 3, no. 1 (1979):55-72.

American twentieth-century political reformers have "been imbued with a statist philosophy leading to imperialism and war," the programs and development of which have drawn upon vaguely Neo-Hegelian antecedents in European social democracy. Thus, the major thrust of reform has been "nationalistic, collectivist, and statist, rather than liberal in any traditional sense."

One of the first historians to point this out was William E. Leuchtenburg in his now famous essay on "Progressivism and Imperialism," published in 1952. While this thesis has not been universally accepted, and has drawn some criticism, the critics neglect Leuchtenburg's main point, which is that the progressives' paternalistic reform mentality, even more than their politics, was sympathetic to imperialism and war." Theodore Roosevelt's brand of progressivism was much nearer to the reform ideas of Bismarck in Germany, the Fabian Socialists or Lloyd George in England, and the European Socialists who supported World War I, than it was to the Midwestern progressivism of men like Robert M. LaFollette.

In fact, some of the opponents of American empire at the turn of this century were the first to see this similarity. Among some of the academics, old-fashioned liberals, or conservatives who did so were Paul S. Reinisch, Leonard T. Hobhouse, William Graham Sumner, Franklin Pierce, and John W. Burgess.

On the other side, the sociologist Franklin H. Giddings, echoed by William Torrey Harris (the U.S. Commissioner of Education), was urging that imperialism and democracy were not incompatible. But it was Theodore Roosevelt who drew together a reform program to Americanize the world. His views on conservation, trusts, and big business were all part of his larger concept of foreign policy.

This kind of nationalistic reform was paralleled in Germany even by men such

as Max Weber and Theodor Barth. In England, on the issue of the African Boer War, Fabians such as George Bernard Shaw, and Sidney and Beatrice Webb, broke with the Socialists and supported the Liberal Imperialists.

This kind of strong statist reformism was increased by the crisis growing out of whether the U.S. should enter World War I. Preparedness advocates such as General Leonard Wood argued that Americans "must cast aside selfish individualism and accept the principle of universal service to the state." In 1916, while even arch-imperialist Henry Cabot Lodge could not get the Republicans to put in a platform advocating universal military training, the Progressives did not hesitate to do so.

The *New Republic* was a chief organ for this kind of thinking, especially in the pieces of Herbert Croly, one of its editors, or of John Dewey, a frequent contributor. For these reformers, a major justification for entering the war was the sense of national purpose it would promote. Progressives welcomed and helped administer the economic controls which came as a part of the war efforts: "Regulations in the sense of trying to restore a competitive individualism, now frankly yielded to regulation to achieve economic integration and greater industrial efficiency. The war made partners of government and business."

The Progressive Era and World War I set precedents for entwining social reform and war. Thus the New Deal of Franklin Roosevelt blended into World War II, Harry Truman's Fair Deal into the Korean War, and Vietnam supplanted the Great Society of Lyndon B. Johnson. The result has been the creation of the warfare-welfare state.

Harry Elmer Barnes and Revisionism

Roy Turnbaugh

"Harry Elmer Barnes and World War I Revisionism: An Absence of Dialogue." *Peace & Change* 5(Fall 1978):63-69.

Since the early 1920s there has been a lively historical debate assessing the basic responsibility for the coming of World War I. Despite his activities in a number of other areas, it is likely that the historian Harry Elmer Barnes will be most remembered for his role in that debate, especially through his book, *The Genesis of the War*. Barnes's critics dislike his work for three reasons: it is sympathetic to Germany, makes a joke of some historians' claims to objectivity, and often argues at a personal level.

Perhaps much of Barnes's response grew out of his work at Columbia University and the fact that he had been a propagandist for the war effort. He joined the revisionists early in the 1920s, after reading the work of Sidney B. Fay, and within a few years gained considerable publicity as a focal point of controversy. Many of the problems Barnes faced were the result of conflicting goals. He wanted his work to be both a best-seller and influence social change, while at the same time wishing it to be regarded as detailed, objective scholarship. The many footnotes disguise the haste with which the book was written over a period of some few months.

Barnes tries to show that France and Russia were primarily responsible for the war, with Great Britain playing a secondary role in what occurred. His dislike of militarism "wavers" in the case of Germany. His greatest contradiction on the causes of the war is around the old historical question of determinism versus free will. In the first part of the book he sees the war as largely the result of deep, impersonal factors such as overpopulation and the triumph of Social Darwinism. But by the end of the volume he stresses the responsibility of various individuals for what had happened.

It can be argued that Barnes's whole outlook and reaction to the war is a reflection of the fundamentalist religious upbringing of his youth. The book was generally criticized by American and British historians, but praised by some liberal American publications. Barnes attacks his critics in *In Quest of Truth and Justice*. What is depressing is that neither he nor his critics were able to open a meaningful dialogue about the war. Barnes seemed unable to understand that his charges about the lack of objectivity in history might also be applied to his own work. The controversy had so damaged his academic career that by the end of the 1920s he chose to leave the university in favor of a career in journalism and the writing of textbooks.

Imperialism and War Technology

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"The Tools of Imperialism: Technology and the Expansion of European Colonial Empires in the Nineteenth Century." *Journal of Modern History* 51 (June 1979):231-263.

A considerable debate has focused around the causes of the "new imperialism" of the late nineteenth century. One school has stressed political motives, emphasizing such aspects as international rivalries, naval strategy, the instability of imperial frontiers, the diversion of popular attention from domestic problems, and the influence of pressure groups on politicians. Others have called attention to the economic motives, including "the need for raw materials, secure markets, or investment opportunities." While some historians have denied that technological changes made any difference in the history of imperialism, no general conclusions have been made about the relationship between the two.

While motives are, of course, important, technology, the means by which the Europeans conquered such vast areas so rapidly, is also significant. The development of the river steamboat, for example, allowed the deeper penetration of Africa, and a means whereby large areas of a riverine civilization such as China's could be controlled with a relatively small force. The steamboat was a major factor in the British triumph in the Opium War during the 1840s, and Commodore Perry's visit to Japan during the next decade was a further example of the supremacy of Western technology.

But the steamboat alone would not have made possible the penetration of Africa. Tropical diseases, especially malaria, carried off often more than half of the European personnel in some of the early nineteenth-century expeditions into the interior of the Dark Continent. It was not until the end of the century that the role of the mosquito in the transmission of malaria was ascertained.

Western technology also provided the direct means of conquest, most directly in the development of efficient, long range, accurate, rapid-firing weapons for which the older muskets used by Asian forces, or

the spears of African warriors were no match. There were several steps in this process during the century, although up until the 1830s the British Army itself was using a musket similar to what had been used in the Battle of Blenheim in 1704.

Percussion caps, rifling, cylindo-conoidal bullets, and paper cartridges were components of a first stage that brought the muzzle-loader to its "peak of perfection." A second stage included a more rapid firing breech loader beginning with the Prussian needle gun and culminating with the Maxim machine gun. The Europeans were very careful to keep these inventions from the Africans and Asians, who were not unfamiliar with firearms. A racial aspect of this was the development of the Dum-Dum bullet which tore great holes in the flesh, and was not used against other Europeans, only against Africans and Asians. This same restraint in use against Europeans also occurred with the early machine guns.

These weapons made it possible for relatively tiny European forces to overwhelm huge armies and to control vast areas. The human carnage was such that even imperialists such as Winston Churchill were almost abashed by such long-range slaughter of brave men. The native armies usually attacked, which was a major aspect of their downfall. Some early guerrillas, and groups who were able for a short time to secure European weapons, were remarkably hard to put down—an omen of the future. What the Europeans themselves would only realize as they mowed down each other in the First World War was that the new weapons had a defensive advantage which made the offensive charges of the past obsolete.

Pietistic vs. Pragmatic Foreign Policy

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"American Missionaries, Sun Yat-sen and the Chinese Revolution," *Pacific Historical Review* 47(May 1978):261-282.

American understanding of Chinese political changes during the years 1911 to 1925 was largely shaped by American Christian missionaries working in China. Their reports and assessments of the principal Chinese leaders during the revolutionary period circulated freely through the popular press and supplied information which helped mold American foreign policy in the Far East. After the election of the pietistic Woodrow Wilson, the American missionary contingent in China was the most influential force behind official attitudes towards the new republic. Their counsel was sought and they filled important official and unofficial positions in the United States government.

Christian missionaries performed the crucial foreign policy role of on-the-spot observers. At the outset of the revolution in 1911, the missionary community looked favorably on nationalist leader Sun Yat-sen. He possessed the seemingly impeccable credentials of mission-school education, the Christian faith, and familiar, western ideas. Following the establishment of the Nanking government, American missionaries looked more favorably on Yuan Shih-k'ai. Yuan's military background and his extensive familiarity with Chinese conditions (attributes lacking in the western-educated Sun) led the missionaries to view Yuan as a more credible leader, one who gave the greatest assurance of a return to social stability. Moreover, Sun's betrothal to a second wife and his support of socialist patterns further undermined his credibility with missionary leaders.

These assessments of the two contenders for leadership led the United States into the unfortunate position of supporting a

government ultimately racked with suspicions that Yuan assassinated political opponents and used government money to subsidize his personal political power. By the end of the period the United States had become associated with a regime largely inimical to republican government in China.

Atomic Warfare and Human Suffering

Arthur Booth
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"Atomic Bombs and Human Beings." *International Social Science Journal* 30(1978):377–392.

Booth considers that despite the horrendous nature of the atomic bombing of Hiroshima and Nagasaki in 1945 there is a dearth of knowledge about these two events. His article is an attempt to remedy this lacuna by surveying the historical evidence and revisionist sources on the subject. Booth's conclusions are: that Japan would most likely have surrendered prior to the planned U.S. invasion on November 1, 1945, even if the atomic weapon had not been used; that Truman had intercepted a message indicating Japan's willingness to enter into peace negotiations; that the U.S. was aware that the Soviet entry into the war in the Pacific would cause a Japanese collapse; that the bomb was probably dropped as a threat to the Soviet Union; and finally that whatever the military justification for the first A-bomb on Hiroshima on August 6, 1945, there was no similar justification for the second bomb dropped on Nagasaki three days later.

In a section entitled "What atomic bombs do to human beings," Booth provides us with some of the grisly statistics of human suffering. The total number killed in both Japanese cities was probably well over 250,000, we are told, which was approximately 40 percent of the combined population of Hiroshima and Nagasaki. But those who died were the lucky ones. Of the Hibukusha (the Japanese word for A-bomb survivors), Booth writes: "Apart from their gruesome and repulsive injuries, skin hanging in obscene swathes from bodies and limbs, eyes exploding, entrails spilling from abdomens, the total and absolute destruction disorientated even active survivors and destroyed their will and capacity for living." Thus even among those not directly injured, life was made unbearable by the complete destruction of facilities of every kind including workshops, offices, factories, stores, religious buildings, schools, hospitals, all kinds of vehicles, animals, railways, and fire and police stations.

Booth goes on to document not only the physical ailments that Hibukusha survivors suffer from, but also the less well known social problems that they face today as a result of discrimination in marriage and unemployment. The Hibukusha have not shared in the post-war economic recovery of Japan, which has merely intensified their feelings of isolation. Indeed, they have become increasingly militant, not only in their attempt to obtain compensation for themselves, but also in their attempt to get nuclear weapons abolished. It is through this struggle for the abolition of war and nuclear weapons, writes Booth, that the Hibukusha have rehabilitated themselves and found a purpose. They are the living reminder that "the forgotten factors in academic and military discussions about military strategies are the totality of human suffering and degradation and the loss of community." We must learn from their example because, "In more senses than we might care to believe, we are all Hibukusha now."

Vietnam: Cost-Benefit Warfare

Richard Shultz

"Breaking the Will of the Enemy During the Vietnam War: The Operationalization of the Cost-Benefit Model of Counterinsurgency Warfare." *Journal of Peace Research* 15(1978):109-129.

Why did American policy fail in Vietnam? The American policy was predominantly one of suppressive counterinsurgency—one that proposed to make it too costly for the enemy to continue. A false assumption underlying this approach was that the insurgents' success was due to their use of coercion, so it remained for the American counterinsurgents also to apply coercion, but to do so with greater efficiency. In fact, the National Liberation Front did not use coercion and force as "primary tactics" to gain "support from the populace." Shultz remarks: "In revolutionary war, insurgents require a strong commitment from the populace and this cannot be secured through sheer coercion . . . as the Greek and Malayan cases demonstrated."

The NLF's total strategy consisted of "a combination of ideology, organization, social reform-oriented policies and programs, nationalistic goals," plus force. But the force was used selectively to "immobilize" the government of Vietnam's in-frastructure, "drive it from the countryside and replace it with the Front's infrastructure." In regard to the general population, the NLF used "education, persuasion, and indoctrination." Coercion was "selective" and is "well documented in the Rand projects material and captured documents . . . "

So successful was this blend of tactics that GVN Premier Nguyen Cao Ky remarked to James Reston that the Communists were closer to the people's yearnings for social justice and an independent life than was his own government (*New York Times*, September 1, 1965). And U.S. Senator Stephen Young became disturbed when he learned that the U.S. government (CIA) was hiring Vietnamese nationals to commit atrocities with the intent of attributing them to the opposition in order to discredit it (*New York Times*, October 21, 1965).

Shultz shows historically that the method of force (and the cost it develops for the recipients) has not been successful in getting those recipients to give up their goals. He notes that Walter Rostow, a chief architect of the American policy of "Rolling Thunder" bombing raids in North Vietnam, had been impressed with a similar effort in the Second World War against Germany. But Schultz writes, "the bombing was generally ineffective." And further: "Thompson's analysis of insurgencies in Vietnam and Malaya demonstrates that excessive regime reliance on coercion and force alienates the population, driving them to the side of the insurgents."

Shultz criticizes the cost-benefit analysis of warfare. American bombing failed in stopping the flow of supplies and men from North Vietnam.

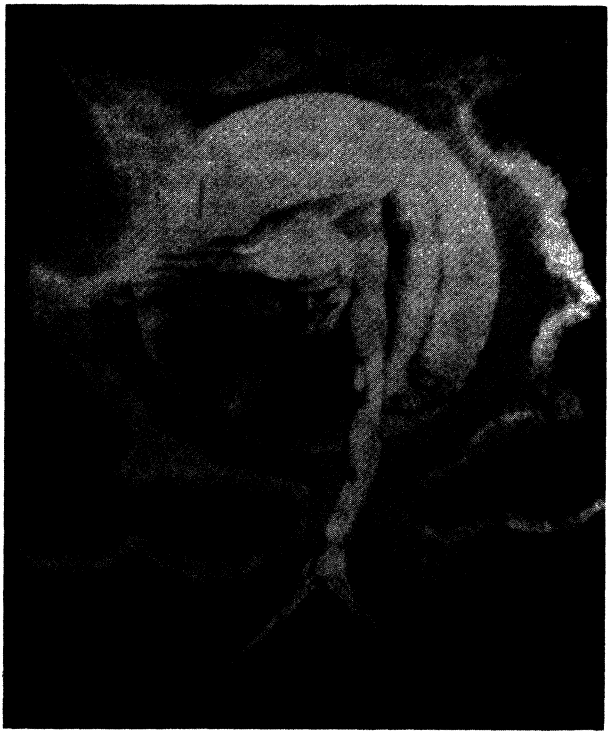
Shultz closes out his discussion by considering the role of the American political managers and their failure to assess factors basic to a conflict. The 'frantic activity' of U.S. policy managers, the technological capability and the obsession to use it, failed to bring success in Vietnam. The Americans applied larger and larger doses of military firepower in a hurry-up strategy to win the war, but this strategy did not prevail.

III

Political and Social Philosophy

The following set of summaries ranges from ancient Greek political and social philosophy to modern analyses of class and ideology. The themes dealt with cover constitutionalism, political myth, republican ideology, civic virtue, contract theory, the nature of state and 'people,' liberalism, and individualism.

Such diverse themes gain focus by seeing the underlying attempt to reconcile a sense of community with the protection of individual rights. The temptation is to conflate the individual into the state in the name of the 'Volk,' social utility, or civic virtue. Through reification and idealization we can often lose sight of the living individual, his rights and dreams, and blindly turn to larger collectives to bring meaning and salvation. Turning to such power, however, is to forsake personal responsibility and to unleash deadly and impersonal forces that war on the individual and his voluntary choices. Another way to approach these diverse summaries is to read each of them from the perspective of individual freedom. In each case this framework of personal and social liberty raises pertinent questions and insights.



Plato and Constitutions

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"Plato and the Anatomy of Constitutions." *Social Theory and Practice* 5(Fall 1978):95- 130.

Amid systems, statistics, and voting studies, modern social sciences have little room left for "political theory." Professor Spencer argues that ignoring philosophy is a major error for any science of politics. Using Plato as an illustration, he attempts to show how an integration of the empirical and philosophical realms might proceed.

To demonstrate the generative relationship that exists between ideas and institutions, Professor Spencer scrutinizes two hypothetical constitutions conceived by Plato: the one projected in the *Republic;* the other in the *Laws*.

Spencer first divides the philosophical content of all constitutions into two categories: (1) the *constitutive principles,* and (2) the *formative principles* (or ideological elements derived from moral ideals), which determine a constitution's legitimate institutions.

In general, the *Republic* reflects a much more optimistic view of human potential than is evidenced in the *Laws*, a much later work. The constitution of the *Republic* rests upon the notion of the almost infinite plasticity of human nature, which can be carefully molded and refined through education.

Plato's guardians work toward the ideal of the balanced soul, in which spirit and appetite submit to the voice of reason. This particular hierarchy produces the virtue of justice in individual souls. The same hierarchy prevails in the organization of the ideal state. The submission of guardians and people to the rule of the philosopher-king engenders a harmonious public justice conspicuously absent from the democratic polity.

The more sublime education of the *Republic's* philosopher-king cultivates perception of the good, of absolute truth and beauty. The state is organized so as to provide a setting in which the philosopher may more easily pierce the cloud of illusion to achieve true vision.

Insofar as institutions are concerned, detailed written laws are not at all necessary in the constitution of the *Republic*. The philosopher-king rules by the formative principle of *charisma*; his enlightened vision ensures the righteousness of his sovereignty. His individual soul, thus, underwrites the legitimacy of the state.

In the *Laws*, on the contrary, a less buoyant view of human perfectibility prevails. Here, Plato retains only the ideal of spiritual balance, of justice. Nothing higher or deeper can be expected of recalcitrant human material.

This significant change of constitutive principle radically alters the character of the constitution proposed in the *Laws*. The perfecting role of education vanishes in favor of propaganda which molds public opinion toward justice. Distributing honorific positions also goads men toward greater virtue. In addition, since no one can arrive at a full vision of the good, charisma no longer serves as a legitimizing political principle. Plato's "second-best polity" must necessarily be "a government of laws, not of men." Elaborate legislation promulgated by just men *as a group* replaces the vision of the *individual* philosopher-king as this commonwealth's operational mode. Thus, a change in ideals effects change in political institutions.

This type of analysis, Professor Spencer claims, may be applied to actual governmental documents such as the U.S. Constitution. Pursued rigorously, Spencer believes that the study of political anatomy will elucidate, in the face of behaviorist scepticism, the contribution of moral values to political order.

The Uses of a Political Myth

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"Comment s'élabore un myth politique: Solon, 'père fondateur' de la démocratie athenienne." ("The Development of a Political Myth: Solon, Founding Father of Athenian Democracy"). *Annales* (May-June 1979): 425-437.

Historians and social scientists have paid increasing attention to the image which past societies have held of themselves, to the various ways in which they have reconstructed their own history, and to how this self-concept affected their subsequent development. In this vein, Prof. Mossé attempts to reconstruct the image which ancient Greeks held of Solon, archon of Athens during the first years of the sixth century B.C. Revered as the founder of democracy in the Athenian city-state, Solon was invoked by Greeks in succeeding centuries as an exemplor and authority to legitimize existing institutions or to bolster reforms. The figure of Solon looms particularly large in the fourth century B.C., the age of democracy's full flowering in Athens.

Fourth-century orators honored Solon as the author of the *mikté politeia*, the mixed aristocratic/popular constitution which respected the sovereignty of the *demos*, but contained it within strict limits. Indeed, Solon praises himself for his wisely balanced policies in the fragments of his poetry which still survive. He abolished the *horoi* (property markers) without indiscriminately parcelling out land to the *demos*, and he established one *written* law for all citizens of Athens regardless of rank. These stand (even in Solon's eyes) as his major achievements. However, later political thinkers and orators of the fourth century, including Aristotle in his *Constitution of Athens*, attributed to him a series of measures which comprised the hallowed *patrios politeia*, the ancestral Athenian political tradition. Those who, like Aristotle, feared the rise of unbridled democracy appealed to the authority of the *patrios politeia* to strengthen their defense of aristocratic power, the power of the "best" in Athens. Since Solon's democratic credentials were revered, use of his memory lent an aura of historical sanctity to opposing the further extension of democracy.

Aristotle attributed three essential achievements to Solon: the establishment of the four enfranchised classes, the organization of the city's judiciary, and the creation of *boulè* (the assembly of the 400). In a later century, Plutarch ascribed to Solon such measures as the first official coinage of money and the founding of the Areopagus court triband. Prof. Mossé scrutinizes each of these attributions and finds them either to be later extrapolations of prototype policies of Solon or totally unconnected with Solon's achievements.

The evolved mythology reflected in the writings of Aristotle and Plutarch places Solon in the company of other legendary legislators whose variegated images have been passed down to us by Antiquity: Hammurabi, Moses, Servius Tullius, Lycurgus. The legends surrounding these men served the vital purpose of fortifying great legal and political traditions.

The myth of Solon exhibited enormous vitality, surving, as it did, down to Plutarch and beyond. Today, we find the elements of the myth in writings admittedly intended for an elite. Nevertheless, these same elements fired imaginations for centuries in the popular assemblies of Athens and in the courts of law. The longevity of the Solonian tradition testifies to the richness with which Athenians endowed it during the two centuries in which they were masters of their own destiny.

Florentine Guilds and Republicanism

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"Guild Republicanism in Trecento Florence: The Success and Ultimate Failure of Corporate Politics." *The American Historical Review* 84 (February 1979): 53-71.

Florentine republicanism has generally been viewed by historians according to the fifteenth-century analysis of Leonardo Bruni. In this approach, civic virtue rested upon the existence of a powerful centralized state. Within the confines of the state, individuals' self-responsibility and development of political virtue was emphasized. This influential paradigm ignores the role of the guilds as social institutions of a more personalistic or corporate nature in the development of Florentine republicanism.

Throughout the Middle Ages, there were many forms of corporate organization, all of which were subsumed under the general term *universitates*. Among the most important of these were the guilds. These economic groups began to function as corporate personalities, decisions in them being taken by vote of the members. These came to play an important role in the government of Florence during the 1290s. Because of their fairly large numbers (there were 21 major guilds with 7,000-8,000 members) and political power, their consent was deemed essential in making political decisions. They became, in effect, the voice of the people. Their power continued to accelerate as the guilds federated, forming alliances for joint action.

The influence of the guilds in Florence was especially marked during the 1340s, when they settled several banking crises. In 1378, a detailed plan of government gave the guilds a major role in the city's government.

The aristocracy did not accept the guilds, viewing them as a threat to their own position. Aristocrats such as the chronicler Stefani argued that virtue could best be promoted by the patrician class. It is to this class that the government of the city belongs, he claimed, not to the guilds.

The guilds continued to stress the fact that decisions were to be taken by their members, and their rules called for frequent meetings. They proved in the long-run, however, unable to withstand the power of the aristocracy. The guilds, though moving in a democratic direction, excluded lower class non-guild subjects from vital political participation.

Machiavelli, Corruption, and America

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"Machiavelli: Republican Politics and its Corruption." *Political Theory* 7 (February 1979):5-34.

Professor Shumer focuses primarily on the thought of Niccolo Machiavelli (1469–1527), especially on his theory of republican politics and its decay as outlined in the *Discourses*. Indirectly, however, she is also concerned with contemporary American politics and the conditions required for truly humanistic politics.

In current usage, the term "corruption" denotes one of two realities: either personal dishonesty or practices which incorporate an improper mixture of money and

politics. Machiavelli, however, employs the term in the older sense, in which a whole polity may be "corrupt." In the *Discourses*, for example, he develops an elaborate comparison between ancient Rome, the healthy republic of *virtu*, and Florence, the republic of corruption. Professor Shumer scrutinizes the critique of Florence and detects many parallels with contemporary American conditions.

For Machiavelli, the essential dimension of the corrupt commonwealth is a pervasive privatization of both the average citizen and those who hold public office. In such a polity, citizens view the public sphere as merely a wider field in which to pursue private interests. As a result, leaders easily play on the cupidity of the populace with promises and flattery; worth slowly becomes irrelevant in electing public officials.

This profile of a corrupt people disturbingly resembles modern political scientists' descriptions of normal, healthy, political activity in contemporary America. As a typical example, Robert Dahl observes that "in a rough sense, the essence of all competitive politics is bribery of the electorate by politicians." Unlike Machiavelli, Dahl assumes that men are "by nature" privatized and that they will pursue only their own interests in the public sphere, power being just one more weapon in the personal struggle to dominate.

As a further consequence of privatization, Machiavelli observes that a people who abandon the task of working out a meaningful collective life lose the capacity for long-term judgment. Since supreme public values do not exist, all is consumed by the confused passions of the moment. No shared ideals oppose the ruthless use of power. Thus a privately-oriented people must, of necessity, fear conflict, since it lacks the means to control the excesses of political competition.

On the other hand, Machiavelli views boisterous conflict as the hallmark of a healthy political race. The ancient Romans often engaged in frenzied political contention. Yet, since they possessed a solid public sense, the conflicts ended in debate and engendered new laws. Among the decadent Florentines, however, political rivalries could only lead to violence, exile, and death, and to a new tyranny to end those ills.

For Machiavelli, the most critical task of every people is to evolve coherence, purposes, and meaning in public life. The task is difficult, since as insightful minds realize, we are faced with an essentially empty world, a world devoid of absolute values. Through politics, men can create finite, solid reality out of this infinite possibility, either through the Prince, who alone knows the fragility of his creation, or through a community of citizens willing to face their situation without illusion. As they do this, they lay the foundations for an enduring political tradition.

In contrast to the living stuff of tradition, open to conflict and fundamental questioning, modern polities have substituted bureaucratic order and complex legislation—superficial foundations for a free and vigorous commonwealth. By shirking the hard quest for public values, today's peoples have, in Professor Shumer's view, chosen moral and spiritual liberty and long-term survival.


DISCORSI DI NICOLO MACHIAVELLI
CITTADINO, ET SEGRETARIO
FIORENTINO, SOPRA LA PRI
MA DECA DI TITO LIVIO,
A ZANOBI BVONDEL-
MONTI, ET A COSI-
MO RVCELLAI.

Con Gratie, & Priuilegi di. N. S. Clemente VII. & altri Prencipi, che intra il termino di. X. Anni non si stampino, ne stampati si uendino: sotto le pene, che in essi si contengono.
M. D. X X X I.

Hume and Contract Theory

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"David Hume, Contractarian." *Philosophical Review* 88 (April 1979): 3-38.

David Hume's theories of property, justice, and government are best understood by regarding them as species of contractarianism. Specifically, his views of property and justice (but not of moral virtue) were Hobbesian. Although often portrayed as an opponent of contractarianism, Hume opposed only the prevalent Whig doctrines of his time. His views were in fact based on a form of hypothetical contractarianism leading to conservative conclusions.

Justice, in Hume's account, is a system of rules concerned with rights to physical objects, or property. Why should the obligations of justice be observed? One answer, sometimes used in interpreting Hume, is that to do so increases the total utility of society. This utilitarian answer, however, does not explain why an individual should support rules which may not be to his interest. Hume's position avoids this difficulty by claiming that it is in everyone's interest that rules of justice be instituted.

The question of which rules should be adopted is of lesser importance. It is much more important that some set of rules be established than that any particular set be accepted. Thus, the rules adopted should be the set most people in a particular society are likely to agree on. In most cases, this means that the existing rules of society should be accepted, since everyone knows them and expects them to be followed.

It may, however, be to someone's advantage to have everyone else obey the rules of justice while he himself does not. To avoid this, one can consider following the rules of justice as a moral obligation. That is, since for everyone to follow the rules is to each person's interest, the sense of sympathy will induce a feeling of obligation which inhibits the purely selfish reasoning prescribed above.

If everyone followed his self-interest, as supplemented by moral obligation, government would be unnecessary. Passion, however, often blinds people to what is necessary to their interests. A mechanism of enforcement is therefore necessary, although the tendency of government to expand its sphere of authority makes it dangerous. Like the rules of justice, it is more important to have a government than to have one of a particular form. Since people are used to the existing government, revolutionary change should be avoided. Prescriptive right, not democractic consent, provides the proper foundation for government. Accordingly, Hume was sympathetic to the royalist position in the English Civil War.

Corporations: A Contractual Paradigm

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"A New Concept of Corporations: A Contractual and Private Property Model." *Hastings Law Journal* 30 (May 1979): 1327-1350.

Current thinking about corporations rests upon dubious assumptions that are inconsistent with the principles of a free society. Specifically, it is often argued that corporations are created by the state and hence are fit subjects for state regulation. This contention in practice is associated with the view that large corporations lack

legitimacy and should be dissolved. Known as the "concession theory," this contention is explicitly advanced in the Supreme Court's dictum in Hale v. Henkel (1906): "The corporation is a creature of the State."

The claim that a corporation rests upon state privilege and does not arise naturally in the free market rests upon its status as an entity, its perpetual character, and its limited liability. The first of these, however, is simply a legal convenience, and the law recognizes other types of organization, such as partnerships, as entities. Its existence in perpetuity means only that the articles defining its form of organization need not be renewed at stated intervals. Limited liability, furthermore, may simply be regarded as an implicit contract between the corporation as debtor and its creditors.

To this some might object that this cannot apply to tort liability, since the victim may recognize no contract implicitly limiting the liability of the tortfeasor. In answer to this, liability of a master for his agent's actions rests upon the doctrine of *respondeat superior*. The extent to which this doctrine applies in a particular case is a matter of convenience, and limited liability in this regard cannot be taken simply as a special privilege for corporations alone.

Supporters of government regulation such as Ralph Nader point to the fact that a corporation must be chartered by the state in order to function legally. In the United States, however, the custom beginning in the nineteenth century was for automatic incorporation, turning the process into one in which the state had no independent role for action. Legal theory has not caught up yet with this development.

The claim that modern corporations separate ownership and control (the famous Berle-Means thesis) reverses cause and effect. It is because corporations can be legally organized in a fashion which allows the executive officers scope for independent action that the separation can occur. But there is nothing inevitable about this, and corporations can be organized so that this separation does not take place. In any case, the stockholders' power to sell their shares is an effective means of control.

Smith, America, and Utilitarianism

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"Adam Smith and the American Revolutionists." *History of Political Economy* 11 (January 1979): 179-191.

Adam Smith influenced the principal figures of the American Revolution in two respects in which they appear to deviate from classical economics. The first of these was the contention that the power of a nation was more important than its economic prosperity. The second was the utilitarian point that freedom was a means to other desirable ends. Smith's advocacy of both of these points gives strong reason to think that the American revolutionists did not depart from the classical tradition.

Smith did not believe in unlimited free trade, and in *The Wealth of Nations* supported the navigation Acts. His defense of free trade was predicated upon the assumption that this policy was the best means to encourage the accumulation of capital domestically, which he regarded as a praiseworthy end. Even the most noted defender of free trade among the supporters of classical economics, Richard Cobden, at one point opposed allowing Russia to float a loan in England. He stated that a free trade policy should not be used to cut one's throat. Similarly, the American revolutionaries did not believe in unlimited free trade. Hamilton's advocacy of protection is probably the most notable instance

of this trend. Even Thomas Paine, once a supporter of absolutely free trade, had by 1800 come to recognize that exceptions were justifiable for the purposes of defense.

Most of the American revolutionists saw freedom in utilitarian terms, as a means to an end, rather than as an absolute principle to be pursued in its own right. Jefferson is the most important example of this approach, which was also advocated by Smith and David Hume. Jefferson believed that the task of government was to promote character, which could best be done by encouraging the growth of self-sufficient agricultural communities. While it may seem strange to treat this anti-free trade position as one deriving in part from Smith, in its utilitarian analysis of the task of government it did just that.

People, Freedom, and State in Hegel

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"State and History in Hegel's Concept of People." *Journal of the History of Ideas* 40(July-September 1979):369-384.

"There are crucial terms whose common meaning is not at all what Hegel meant: e.g., 'thought,' 'concept,' 'idea,' 'spirit,' to name a few." De Seade undertakes to trace out "One such term . . . 'people' (*Volk*), which can be considered a very useful concept in the analysis of Hegel's political works." In ordinary discussion this term "can have two distinct connotations, depending on the article which precedes it." Thus, "we refer to *a* people having cultural unity in mind," e.g., "the Jews as being one people." And we can also refer to "*the* people and imply a political context, as in the aphorism 'the voice of the people is the voice of God.' "

The author observes that Hegel inherited two traditions: the first forged by Herder which stressed "the identity of a people as embodied in language, historical and cultural traditions"; the second expressed by Rousseau in which the concept "people" "synthesizes these elements and sees them materialized in political institutions." In Hegel, the author maintains, one central plan can be detected: namely, the reconciliation of these two traditions. Chronologically considered, Hegel's works may be analyzed for the diverse meanings attached to the concept of people: "(1) people as a community, linked by historical, cultural, and political ties; (2) people as the base of political representation; and (3) people as agents of history."

The first analysis of 'people' focuses on Hegel as represented in the *Early Theological Writings* (1795-1809). Next Hegel's views as put in his *Philosophy of Right* (1821) are considered. The third stage of 'people' is represented in Hegel's *The Philosophy of History* (1830-31). Throughout the paper numerous strands of analyses are explored; moreover, some concepts which are vital to an understanding of not only Hegel but of such neo-Hegelians as Marx, Francis Herbert Bradley (1846-1924), Bernard Bosanquet (1848-1923), and Thomas Hill Green (1836-1882) are investigated. For example, it is vital to understand Hegel's criticism of freedom in the traditions of Locke and the French revolution (1830) for purposes of appreciating subsequent revisions of this idea in political philosophy. De Seade notes that for Hegel the most important problem of his time was "that the militant elements of the bourgeoisie had adopted as their ideology the 'abstract' conception of freedom, equality, and popular sovereignty." Also important is the realization that in Hegel the "conceptions of 'spirit of the people' and 'state' become explicity linked." Hegel's holistic social/political philosophy has much to offer for clarifying a comprehensive understanding of history, in contrast to what Hegel regarded as the atomistic (Hobbesian) framework which had been invoked to bolster political individualism, liberalism, and capitalism.

Freedom and Virtue

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"Freedom and Virtue." *Reason Papers* #5(Winter 1979):1-12

At the turn of the century, the need for governmental coercive intervention in society had been advocated on grounds of economic necessity, even of science. Increasingly, since then, a different argument has supported such intervention: namely the view that morality itself requires that government act to right the wrongs of society.

Generally, however, it is ancient political theory which stresses the role of government in the promotion of moral virtue, whereas modern political philosophers such as Spinoza, Rousseau, Mill, and (in different senses) Hegel and Marx have argued that the state's purpose is to promote liberty or freedom. Den Uyl accepts that a moral perspective on political life is appropriate and asks whether the basic notions of government as tied either to promoting virtue or to promoting freedom, are mutually exclusive alternatives?"

Den Uyl defends the view that, ultimately, the promotion of virtue is impossible without the maintenance of freedom. The freedom Den Uyl has in mind—the freedom defined by Spinoza, Locke, and Mill—is not freedom from such burdens as poverty, disease, and ignorance. Den Uyl claims that "freedom conceived in terms of the relief of burdens cannot be a primary sense of freedom" because the "mere aspirations to relieve certain burdens implies nothing about the context in which those burdens are to be relieved." Secondly, this relief-of-burdens sense of freedom already presupposes a concern with virtue, with the right versus wrong ways we can go about relieving them. Thus this sense of freedom is secondary. The freedom at issue is concerned with whether "each person may live his life as he chooses as long as he does not infringe on the rights of others by the initiation of physical force."

But this form of freedom cannot literally be promoted; it either is a condition of society or it isn't. If it is, it may be maintained; if not, it might be desired. Whereas morally virtuous conduct, which is a positive thing, is open to being furthered, promoted, it appears that the ancient view of the point of politics makes more sense: A government should promote virtue.

But Den Uyl proceeds to examine this idea from the point of view of the nature of morality itself. It is true that the "promotion of virtue is of fundamental importance, because persons stand in need of standards to guide their actions." But "moral consideration cannot be given to a person's deeds unless that person was responsible for doing those deeds." The deprivation of the freedom at issue—i.e., if others initiate force against a person—then, renders morality itself *impossible.* As Den Uyl puts it, "if a man did not do an act or was coerced to do it, moral worthiness or unworthiness cannot be attributed to him." He also shows that "those who coerce (or advocate coercion of) another do not deserve moral credit for their actions no matter how beneficial the end they seek." The ancient conception of government, then, necessarily presupposes the significance of freedom and no conflict exists between freedom and moral virtue.

Nineteenth Century Spanish Liberalism

Giovanni Stiffoni

"L'emigrazione liberale spagnola in Inghilterra e in Francia (1823-1834). Un problema storiographico aperto." ["Liberal Spanish Emigration in England and France (1823–1834): An Open Historical Problem"] *Nuova Rivista Storica* 62 (January 1978): 133–152.

The tumultuous state of politics in Spain during the nineteenth century drove many into exile. Each change of regime precipitated an emigration both of the leaders and often of the soldiers of the losing party. The importance of this emigration to the evolution of political thought in Spain has long been ignored. Using as his focus the liberal émigrés defeated by Ferdinand VII in 1823, Prof. Stiffoni details the inadequacies of studies which have dealt with this exile group and describes several fruitful questions for future historical analysis.

The Spanish historian Gregorio Marañon has observed that "the Spanish tendency toward isolation has been, to a certain degree, counterbalanced by political emigrations." The emigrations have been fruitful, in Marañon's view, to the extent that the spirit of revenge makes way for a more open, future-directed stance. This open spirit frees energies from vain dreams of restoring past order and allows for a receptive attitude toward the ideas and mores of the country of exile. Having absorbed these new ideas, returning exiles spur the intellectual and social development of their homeland.

On the intellectual plane, several cases illustrate this process of the exiles' receptivity to new ideas. For example, Alvaro Flórez Estrada's landmark *Curso de Economía Política* (1828) reflects the mature fruits of the author's stay in both France and England. His writing demonstrates a critical assimilation of the thoughts of Smith, Ricardo, Malthus, John Stuart Mill, MacCulloch, and even Owen and Saint-Simon. Joaquín Abreu-Orta, exiled liberal member of the *Cortes*, became a personal friend of Fourier. He participated in the experiment at Condé-sur-Vesgres and, upon his return in 1834, became a passionate proponent of Fourier's doctrines in Spain. Also, General Espoz y Mina worked together with Jeremy Bentham on a project to define a democratic constitution for Spain.

Among such academic exiles, contact with the Industrial Revolution revealed the pitiful backwardness of Spanish economic development. It likewise demonstrated the need for Spanish liberals to devise a viable agrarian policy for their primarily agricultural nation.

Future historians must go beyond this sketchy description of intellectual influence to provide in-depth, individual profiles of prominent exile thinkers. Lacking this, scholars will persist in their impoverished understanding of subsequent Spanish liberal movements in the nineteenth century, namely the Biennio (1854-1856) and the Sessennio (1868-1873).

Stiffoni also issues a call to elaborate a historical sociology of the liberal movement in exile. Liberal members of the Spanish aristocracy, bourgeoisie, and soldier-laborer class all fled Ferdinand VII's mounting oppression. Analyses of their assimilation or lack of it into the life of the country of exile would significantly clarify any social impact they may have had on Spain after their return in 1834. Such a sociology could also elucidate an important factor in the liberal movement's failure to win the masses of Spaniards to its cause, i.e., the complicity of liberal politicians with the Spanish propertied classes, which had led time after time to the dilution and abandonment of liberal principles for the sake of expedient "moderation." Until we explore the neglected areas of Spanish liberalism, we will remain ignorant of a significant portion of Western political tradition.

Victorian England and Laissez-faire

François Bédarida

"L'Angleterre victorienne: paradigme du laissez-faire? A propos d'une controverse." ["Victorian England: Paradigm of Laissez-faire?"] *Revue historique* 26 (No. 1, 1979):79-98.

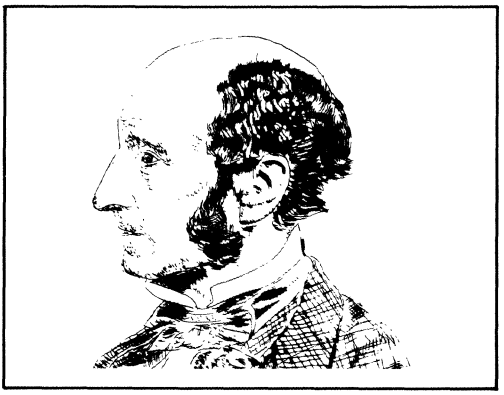
Historians of the past twenty-five years have repeatedly challenged the traditional view of Victorian England as the "age of laissez-faire." In his article, Prof. Bédarida describes the nature of this revisionist reevaluation and then seeks to assess its accuracy for the period between 1830 and 1870.

First of all, historians such as O. MacDonagh and H. Parris have pointed to growing state concern during the Victorian period with public assistance to the poor, work conditions, railways, mines, public health, and education. They further emphasize that regulatory activities in such widely varying areas of British life engendered an expanding, bureaucratic apparatus, belying the usual picture of a skeletal and largely powerless Victorian government.

Indeed, MacDonagh discerns a "revolution in government" during this period—a governmental expansion brought about by growing urbanization, industrialization, and pauperization in Britain. Exposure of abuses gave rise to Parliamentary studies which, in turn, resulted in elaborate regulatory legislation.

Revisionist historians differ, however, in defining the intellectual base of this revolution in government. MacDonagh, (along with D. Roberts and G. Kiston Clark) sees it as the triumph of British empiricism. Without theories or preconceived notions, lawmakers and administrators sought the most efficient solutions to the problems at hand and gropingly evolved the bureaucratic system which was firmly in place by the end of the nineteenth century. According to this view, the revolution occurred simply by "muddling through."

On the other hand, historians such as H. Parris and J. Hart view the change as the direct result of the political and social doctrines of Benthamite utilitarianism, which, while distrustful of government, saw its function as that of a rational



organizer—harmonizing divergent interests, propogating the spirit of progress, and promoting the happiness of the greatest number. Prof. Bédarida concurs in this latter view. He adds that Adam Smith and Victorian economists such as John Ramsay McCulloch (1789-1864) and John Stuart Mill (1806-1873) all admitted interventions by the state in the name of general utility. The door to expanding government had thus been opened by theorists of the limited state.

Furthermore, Bédarida warns against exaggerating the powers of the Victorian central government. While undoubtedly expanding, the growth of bureaucracy was considerably restricted by a budgetary frugality which held sway throughout the nineteenth century. Limited resources, in turn, significantly hampered the implementation of reform legislation. In addition, an individualist ethic undoubtedly pervaded English thinking of the period. Voluntary associations, not government, assumed the larger part of the responsibility for social services, while the aristocratic and upper-middle classes frequently acted out of a sense of *duty* for the common good.

Thus, Prof. Bédarida warns against substituting one myth for another. While certainly not a laissez-faire skeleton, neither was Victorian government a Welfare State giant. In Bédarida's view, the firm and disciplined Victorian State should be understood according to a simpler model. It was not the benevolent "État-Providence" seemingly assumed by revisionists, but instead the resolute "État-Gendarme."

O'Connell, Anti-Slavery, and Freedom

Douglas C. Riach

"Daniel O'Connell and American Anti-Slavery" *Irish Historical Studies* (Ireland), 20(March 1977):3–25.

The crusade to abolish chattel slavery was one of the first transatlantic movements defending human rights. Diverse abolitionists in England, Ireland and America worked together to banish first the slave trade and then slavery itself from the British Empire and America. The complexities of cooperation among very disparate political and social groups form an interesting historical model for contemporary defenders of international human rights.

Daniel O'Connell, the leader of Irish liberalism and champion of Catholic emancipation, subsequently sought to repeal the act of union linking Ireland to Great Britain. O'Connell similarly supported advocates of the abolition of slavery in the British Empire and the United States. The often conflicting pressures of moral principle and political expediency, however, complicated O'Connell's relations with the abolitionists. He seriously depended on the political, moral, and especially financial support from America in his struggle to accomplish repeal, or home rule for Ireland. Yet the Irish in America were politically allied with the Democratic party, the anti-Abolitionist party in the pre-Civil War period. The Irish-Americans, sensitive to sativist attacks upon them as both foreigners and Catholics, resented O'Connell's urging that they support the abolitionist cause, a cause led by the same Puritan forces hostile to their own political and cultural needs.

O'Connell first took up the abolitionist cause in 1824. Following Catholic emancipation in 1829, he concentrated his attacks upon the abolition of slavery in the British West Indies and the United States. In 1832 he championed William Lloyd Garrison's American abolitionist movement and his attack on black colonization as both impractical and unethical. Although O'Connell's attitudes mobilized Irish and British opinion against slavery, it failed to influence the American Irish.

During the early 1840s, in the midst of his international drive to repeal the act of union, O'Connell's antislavery commitment provoked a backlash among the Irish repealers in America. Stung by his embarrassing intervention, the American Irish wished O'Connell to downplay his abolitionist rhetoric. Likewise, many abolitionists in Ireland, especially Irish Quakers, did not reciprocate O'Connell's support of abolition by supporting his repeal movement. The international movement for repeal of the act of union between Ireland and Great Britain suffered severe tensions in their fragile alliance.

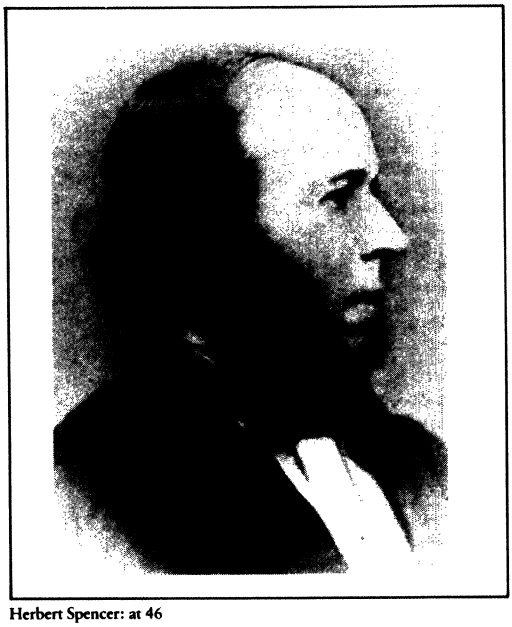
Economic conflicts also arose. O'Connell's desire to build up a cotton textile industry in Ireland by reducing British tariffs on American cotton was opposed by abolitionists who felt such a policy strengthened the economy of the slave system in the American South. O'Connell's principled supported of abolition began to cut into the contribution from American supporters of repeal. When O'Connell realized that many abolitionists were identified with prohibition, Sabbath restrictions, nativism, and anti-Catholicism, he dissociated himself from any particular clique of American abolitionists, but maintained his principled support of abolition. O'Connell's opposition to American annexation of Texas, because it would strengthen the slave system, also enraged his American and Irish admirers.

O'Connell stood steadfast in his commitment to abolish human slavery even when it undermined his lifelong ambition to achieve home rule for Ireland. The conflicting interests and ethical imperatives facing a statesman with international constituencies illuminate the difficulties that similar ethical commitments to human liberty present to statesmen of our own time.

Carnegie and Spencer

John White

"Andrew Carnegie and Herbert Spencer: A Special Relationship." *American Studies* 13(1979):57-71.



Herbert Spencer: at 46

The intimate friendship of steel tycoon Andrew Carnegie and philosopher Herbert Spencer (1820–1903) provides some insight into the reception of Spencer's theory of social evolution by the American business class of the Gilded Age. Carnegie proclaimed himself a dedicated follower of Spencer: "he was my intellectual and spiritual savior." The rational theory of progress developed by Spencer was very attractive to Carnegie, even in its early formation. Social evolution provided Carnegie with an intellectual basis for his enduring optimism, his cherished belief in human progress, and a justification for highly competitive business mores.

Though Spencer regarded business survival to be a keen competition of "eat or be eaten," he did not encourage the proliferation of this commercial cannibalism. His correspondence with Carnegie indicated he was highly critical of American competition, monopolistic practices, and pervasive materialism. At a farewell dinner hosted by Carnegie for Spencer, Spencer expounded on the ills of American "persistent activity" (much to Carnegie's chagrin): "I hear that a great trader among you deliberately endeavoured to crush out everyone whose business competed with his own; makes life harder for all others engaged in it; and excludes from it many who might otherwise gain competencies. We have had somewhat too much of the 'gospel of work.' It is time to preach the gospel of relaxation."

Several times Spencer asked Carnegie to use his great wealth to promote world peace and solve conflicts, since they shared an antipathy of militarism and imperialism. Spencer's personal philanthropy had a tremendous impact on Carnegie, influencing Carnegie to display a social responsibility by employing his wealth for the general welfare during his lifetime—a novel idea in this industrialist period. Between 1887-1907, Carnegie gave $125 million to philanthropic enterprises, but never in terms of direct aid to the poor and underprivileged. His generosity was colored with a shrewd discretion of the Spencerian moral: Carnegie aided only those who he felt could help themselves. Like Spencer, he saw no reason to save the unfit.

Perhaps the more interesting point of their friendship was the deep fondness they felt for one another, particularly Carnegie's warm emotions toward Spencer. At Spencer's death, Carnegie tried (unsuccessfully) to persuade the Dean of Westminster Abbey to place a bust of Spencer in the Abbey. "If Spencer enters the Abbey, it is not to worship, but to be worshipped," he wrote. In Andrew Carnegie, Herbert Spencer had a good friend and admirer who helped his name and theories reach the American public. In Spencer, Carnegie had an intellectual mentor and inspiring idol. It was a unique relationship that was both spontaneous and useful to two of the most influential men in the nineteenth century.

Republicanism vs. Liberal Individualism

Jean Yarbrough
University of Connecticut, Groton

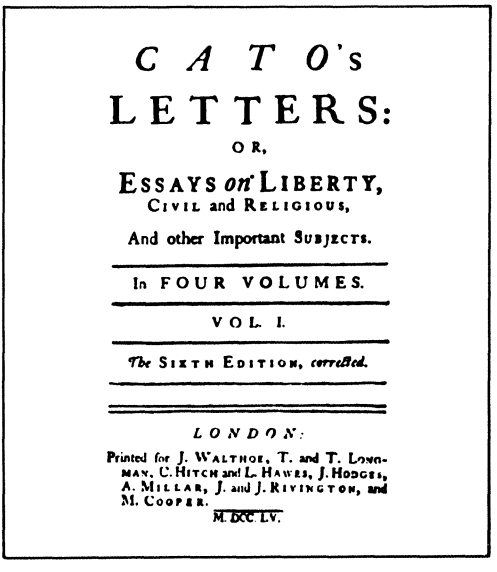
"Republicanism Reconsidered: Some Thoughts on the Foundation and Preservation of the American Republic." *The Review of Politics* 41(January 1979):61-95.

Contemporary scholars are beginning to see in the political thought of John Adams, Alexander Hamilton, Thomas Jefferson, and James Madison a concerted effort to harmonize liberal democracy with republican political theory. That is, the founding fathers devised a system to join the republican ideals of "civic virtue" and of direct, political participation to the practical need for a representative government and the liberal ideal of economic individualism.

In this mixing of the liberal and the republican traditions, however, the founders lost sight of what it takes socially and politically to promote and sustain civic virtue and a sense of community. Their failure to address this matter weakened the republican tradition and progressively emphasized liberal democracy. The author argues that a representative system not rooted in an activist, virtuous citizenry fails to cultivate a sense of fellow-feeling among citizens who come to ignore concern for problems beyond their own. This type of mutual human concern is what is meant by civic virtue. In the absence of such civic concern, the citizens' government responds only to the narrow interest of individuals and not the broader interests of the community. In the American context, such a government may give itself over to economic liberalism or social liberalism, but it has thereby been transplanted from its republican roots.

Did the founders mean to create a republic? Yes and no. Yes, they saw their art of constitution making as being well within a republican tradition stretching from republican Rome to their own era. Yes, they sought to protect the element of civic virtue and responsibility necessary to republicanism and protect the citizens from governors corrupted by fame and ambition. But no, the founders discouraged the activist citizenry in the structure of government they chose. And no, even so ardent a republican as Jefferson could never clearly state whether the people should lead in governance or merely defend their rights and privileges. Of course, the first policy embraces republicanism; the second policy cultivates liberal democracy.

Some bibliographical items relevant to the issues of republicanism and individualism in the American political experience and history include: Louis Hartz, *The Liberal Tradition in America* (1955); J.G.A. Pocock, *The Machiavellian Moment* (1975); Robert Horwitz (ed.), *Moral Foundations of the American Republic* (1977); H. Trevor Colbourn, *The Lamp of Experience: Whig History and the Intellectual Origins of the American Revolution* (1965); Gerald Stourzh, *Alexander Hamilton and the Idea of Republican Government* (1970; Zera Fink, *The Classical Republicans* (1945); David L. Jacobson (ed.), *The English Libertarian Heritage: From the Writings of John Trenchard and Thomas Gordon in the Independent Whig and Cato's Letters* (1965); and Caroline Robbins, *The Eighteenth Century Commonwealthman* (1959).



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Rousseau's Social Contract and Freedom

Jean Biou

"La Théorie politique de Rousseau—l'homme et le citoyen." ["The Political Theory of Rousseau: the Man and the Citizen"] *Annales Historiques de la Révolution Française* 50(October 1978):501-533.

Liberal critics have often attacked Rousseau's *Social Contract* (1762) for what they consider a flagrant contradiction. How can Rousseau claim to safeguard the freedom of citizens in his ideal commonwealth when the mechanics of his utopian system effectively eliminate all areas of individual activity and dissent? Such criticisms reflect a defective or completely erroneous understanding of Rousseau's view of human nature, freedom, and the problems posed by existence in society.

To begin, Prof. Biou asserts that Rousseau's "natural man" represents the only genuine attempt among seventeenth- and eighteenth-century thinkers to depict the character of presocial man. All other philosophical anthropologists read into the primitive state of nature such socially derived anachronisms as law, justice, and property.

Rousseau's natural man, on the other hand, possesses only self-love, a sense of compassion (both observable in other higher species), and a capacity for self-perfection which is unique in nature. This almost unlimited *virtualité* serves as a clumsy substitute for animal instinct. Through it, however, men quickly establish a social existence and acquire such communally derived qualities as imagination, reason, love, and shame.

Rousseau posits one last trait as essential to human character in the natural state: liberty, the ability to control one's own destiny. He points out that primitives encountered by European explorers defended their freedom as their most precious treasure. On the other hand, highly civilized Europeans at all levels were characterized by the most abject servility.

As men gradually become social beings, their conflicting personal interests give rise to a ferocious struggle for supremacy, which results in the disparity between the powerful and weak, between the rich and poor. Later, a proposal for equitable laws is promulgated to remove these glaring inequalities and the savage conflict of interests. In actual fact, this proposal represents a subterfuge on the part of the rich, since *they* are the ones who mete out "justice" and make use of it to secure their position.

At the same time, a deep psychological conflict arises in those naive enough to be deceived by this subterfuge. Individual man is torn between the instinct to pursue his own private interests on the one hand, and his vaunted duty to the common good on the other.

In Prof. Biou's view, the *Social Contract* constitutes a consistent attempt to heal this split in man, to end the strife of personal interests, and to preserve freedom and equality from the ravages of justice. Rousseau does not entertain idle dreams of restoring some presocial state of nature. Instead, he proposes a radically *social* solution to the problems posed by life in society. In effect, he abolishes individuality and incorporates persons as cell-units of a total social organism.

Far from abolishing human freedom, the *Social Contract*, as Biou sees it, outlines a plan for communal living in which freedom in a social context finally becomes a reality. First of all, in Rousseau's utopia, a person's entire interests lie with the community of which he is an integral and inalienable part. Since citizens exist only as members of the one social organism (a kind of secular Mystical Body), the tension between private and social values evaporates. By eliminating this strife, one eliminates at the same time any notion of "winners" and "losers." Law, rather than the tool of privilege, becomes the true expression of the general will.

As an indispensable part of the general

will, each citizen enjoys the precious gift of *freedom*—effective control over the community's and, thus, his own destiny. After the sense of the general will has been determined by discussion and voting, liberal dissent becomes a contradiction. In Rousseau's scheme, a dissenter would be fighting, in effect, against himself.

Thus, Prof. Biou concludes, Rousseau's reasoning neither contradicts itself nor serves as an apology for oppression. On the contrary, Rousseau wages a valiant battle in the *Social Contract* against the very contradictions which have plagued life in society throughout human history.

Artistic and Cosmic Harmony

Guy Basil
University of California at Berkeley

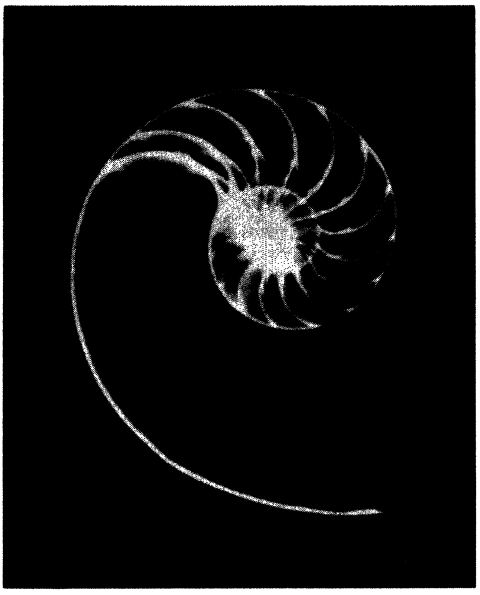
"Bernardin de Saint-Pierre and the Idea of Harmony." *Stanford French Review* 2(Fall 1978):209–222.

The moral and aesthetic idea of harmony figures prominently in Aristotelian and Thomistic philosophy, as well as in Ptolemy's system of cosmology. As such, the notion gained a wide currency in the Middle Ages which it never completely lost in succeeding centuries. It appears clearly in the "pre-established harmony" of Leibniz's *Monadologie* (1714) and in later eighteenth-century works such as Gresset's curious *Discours sur l'Harmonie.* Bernardin de Saint Pierre's *Harmonies de la Nature* (published posthumously in 1815) represents by its sprawling scope perhaps the most ambitious attempt to synthesize a vision of universal organicity.

Bernardin de Saint Pierre's (1737-1814) passionate search for physical and moral harmony in the natural world originated in a realm far more basic than that of intellectual inquiry. His quest stemmed from a deep-seated psychological need. A bitter sense of isolation in a world of seemingly senseless cruelties prompted him to attempt a general integration of absolute values—an obsession equally evident in his numerous projects for ideal republics.

Bernardin's Rousseauist scrutiny of the world through the lens of sensibility reflects a mentality prevalent at the end of the eighteenth century—a mentality which spurned the pretensions of pure reason as an empty shell. Ultimate truth was to be grasped by those who discerned (through feeling) a spontaneous and generative unity in nature, an organic unity independent of artificial syntheses concocted by the human mind. The vision of a universal order permeated by moral values and presided over by a benevolent Providence constituted Bernardin's retort to spokesmen for the teleology of rationalistic "progress." From his visionary perspective, the organic vitality of the natural world transcended by far this superficial notion of change and development.

Even today, Bernardin's project of universal harmony attracts readers by its novelty and comprehensive scope. Beginning with the sun as the center of the solar system, he traces the all-pervasive interrelations among air, water, earth, flora, fauna, and human beings with their concepts, social systems, and religions. Subject matter and style in the *Harmonies* combine to convey the abundant vitality and admirable design of the natural world. This effect is amplified by the variety of genres contained within the work. We know that the completed *Harmonies* would have included almost everything Bernardin had previously written—the fictional works added to deepen his



readers' comprehension of the moral resonances pervading man and nature.

Despite the luxuriant quality of the work, however, Bernardin's *Harmonies* exhibit a balanced structure which is clearly intended to reflect the mystic proportions disclosed by nature. In Prof. Guy's words, "the work can easily be cut in two on a mathematical basis between Books 5 and 6, with each part containing twenty-five 'chapters'; the first group would then be seen to deal with the universe, its flora and fauna, while the second deals with man and his institutions . . . One could easily continue in this vein, showing how there is an almost perfect balancing of the parts . . . a sort of harmony that is nothing short of transcendent."

Thus, at every level, the *Harmonies de la Nature* constitute a microcosm, a model intended to reflect the patterns of the larger universe. With characteristic brashness and devotion, Bernardin creates his own universe, a not-so-humble tribute to the cosmos fashioned by the Divine Creator.

Pound and Politics

Natalie Harris
Colby College, Maine

"Aesthetics and/or Politics: Ezra Pound's Late Critical Prose." *Centennial Review* 23(Winter 1979):1-19

The late critical prose of Ezra Pound was not of the same high caliber of his earlier works. In his later years, Pound became obsessed with the pursuit for a political Utopia, which eventually obscured factual reality.

Pound had always esteemed the artist's unique capacity for drawing cohesiveness to a chaotic world. The artist alone had the ability to instigate a new cultural reality that Pound felt was sorely lacking in the post-World War I era. Pound's primary activity in the 1930s was to search for a new cultural synthesis for this modern, rapidly changing period. In his quest, he transferred the responsibility for salvaging the world from the artist to current political figures. Searching history to find models for his ideal, he found two—Confucius and Thomas Jefferson—and then applied their political wisdom to the rising Benito Mussolini.

Pound's fascination with the Confucian system of ethical behavior was rooted in his passion for the creation of order. The sense of appropriateness, cohesiveness, and precision in language were the aesthetic values Pound used in his own art. To realize the essential human relations and behave accordingly would result in finer degrees of aesthetic, personal, and social integration.

He saw other qualities of a paradisiacal civilization in Jeffersonian America (1760-1830). Seen by Pound as the central energizing force in early American culture, Thomas Jefferson commanded his highest respect. Jefferson was a "total" man to Pound—one who appreciated comprehensive order and internal cohesiveness. Inspired by his interpretation of Jeffersonian politics, Pound easily turned to academic totalitarianism to find his political and aesthetical renewal.

Pound felt that Jefferson had constructed early America with the creative energy befitting an artist as he faced the task of "trying to set up a civilization in the wilderness." He saw an equally demanding task facing Mussolini, whose raw materials were not the elements of wilderness, but the fragments of history. "The heritage of Jefferson . . . is HERE, NOW in the Italian Peninsula at the beginning of fascist second decennio . . . ," he wrote.

In his attempts to stress resemblances, Pound overlooked the radical differences between the two men. He justified his composite portrait of Jefferson and Mussolini on the grounds that both men were pragmatists who believed the ends justified the means. However, Pound never defined the "ends," almost as though simply having a main purpose was a sufficient sign of greatness.

That is the fatal flaw of Ezra Pound's later years: he avoided contradictions by retreating from facts or misinterpreting the facts he did encounter. He searched for an ordering principle, which would triumph over the multiplicity of the modern world, by combining various elements of reality into a unified whole. However, by turning order into an end in itself, rather than seeing it as a factor which could benefit humanity, Pound was led into misinterpreting reality. He eventually pledged allegience to Fascist Italy. Soon after, he was indicted for treason by the United States government, and confined to a hospital for twelve years, after being ruled mentally unfit to answer the charges.

Ideology and Classes

Nicholas Abercrombie and Bryan Turner
University of Lancaster (Abercrombie)
University of Aberdeen (Turner)

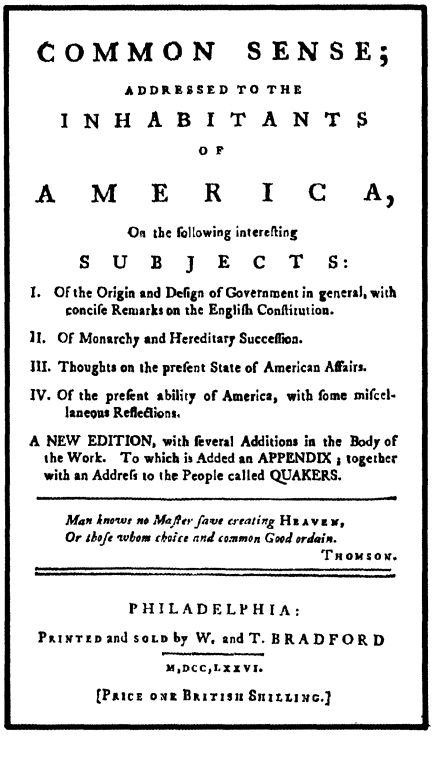
"The Dominant Ideology Thesis." *British Journal of Sociology* 29(June 1978):149–70.

The 'dominant ideology thesis' is the thesis that "suggests that there is in most societies a set of beliefs which dominates all others and which, through its incorporation in the consciousness of subordinate classes, tends to inhibit the development of radical political dissent." In this paper Abercrombie and Turner attempt to show that the empirical evidence does not bear out this thesis and that the subordinate classes do not necessarily accept the dominant ideology. Rather the evidence appears to show that it is the dominant and not the dominated classes that accept the

dominant belief system.

After showing that the original thesis as formulated by Marx and Engels contained two conflicting theories of ideology, the authors challenge the basic assumption of the dominant ideology thesis, which is that the dominant class "is able to force, or at least ensure that the dominated classes think their thoughts within the concepts provided by the belief systems of the dominant class." This theory assumes that "there is a common culture in which all classes share and that the content and theories of that common culture are dictated by the dominant class." However, empirical evidence is cited to prove that subordinate classes do not believe, share, or accept the dominant ideology. For example, official Christianity was unsuccessful in securing the rural peasantry "within the precise confines of orthodox belief and practice." (The attempt to promote Methodism as the dominant ideology in nineteenth century Britain is given short shrift. "It is difficult to see how the churches could efficiently and effectively dispense the 'opium of the masses' when the working class was absent from the churches.")

As an alternative to the dominant ideology thesis the authors argue that the dominant ideology of feudalism and early capitalism was a mechanism by which the coherence of the dominant class itself was assured. Thus the religious and moral core of the dominant ideology attempted to guarantee the family as a mechanism for the conservation of property and to provide a degree of normative coherence within the dominant class. In late capitalism, however, the changing nature of the dominant class in terms of the partial separation of ownership and control has meant that the dominant ideology ceases to be crucial for the coherence of the dominant class. The authors reject the idea of a monistic dominant ideology in late capitalism: "the ideology of owners of small capitalist firms in the private sector is frequently in opposition to the beliefs and interests of large capitalist enterprises, multinational firms, and the state industries." L



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