

The Free Market

January 1985 • The Ludwig von Mises Institute

Mises Institute To Hold Nationwide Seminars on "The Economics of Freedom"

Ever since its founding in October 1982, the Ludwig von Mises Institute has received many requests for introductory courses in Austrian economics for students and adults. This year, a series of such intensive seminars will be held all across America.

Business people, high school and college teachers, parents worried about the training their children are receiving in college, students considering a career in economics, and mature adults who want to understand more about the economy -- all have written and called the Institute, asking for this sort of instruction.

The seminars will comprise both one-day and weekend programs, as well as week-long courses during the summer.

The teachers -- all scholars associated with the Institute -- will be chosen for their ability to impart exciting ideas in a stimulating way, as will the teaching materials.

People attending will leave, not only with a deeper understanding of economic issues, but with a renewed dedication to the free market. They will also have access to a structured curriculum for further education on their own and in small groups, as well as being able to take part in continuing education programs the Institute will run in future years.

If you are interested in attending such a program, or wish to help hold one in your area, please write the Program Manager, Mises Institute, Thach Hall, Auburn University, Alabama 36849. ■

The Houston Conference

The Mises Institute's first Texas program -- "A Seminar on Money and Government" -- began at 8:30 am in the University of Houston's Hilton Conference Center, when 106 Institute Members, scholars, and students gathered for a get-acquainted continental breakfast.

After breakfast, Professor Joseph Peden of Baruch



During a break at the Institute's Houston seminar, Mr. William L. Law (left) makes a point to Mr. Rolland Storey (right). Listening are Mrs. Paige Moore (left) and a student (right).

College at the City University of New York talked about the effects of high taxes and high inflation on ancient Rome, and how freedom was destroyed hand in hand with confiscatory taxes and the debasement of Roman money.

Next Professor Murray Rothbard -- visiting this year at the University of Nevada -- discussed the founding of the Federal Reserve. Despite all the talk of protecting the people, the Fed was actually founded, he showed, to allow the government and its allies to inflate at everyone else's expense.

After lunch, Mr. Maxwell Newton of the *New York Post* talked about recent actions of the Federal Reserve, why they are harmful to our country (like its past actions), and why the Fed should be abolished.

Next Mrs. Elizabeth Currier of the Committee for Monetary Research and Education talked about "Fiat Money From John Law to Paul Volcker," and all the chill-

(Continued on page 4)

Inside

**"Airport Congestion:
A Case of 'Market Failure'?"**

Henry Hazlitt: A Celebration

LETTERS

From a college student in Massachusetts:

"Thank you so much for sending me the 20 copies of Murray Rothbard's *The Essential Ludwig von Mises*. I have distributed them to faculty members.

"Although it may be too early to tell, I think they will have a significant, positive impact. A student mentioned that he would like to sponsor a panel on Austrian economics, and a professor said he was going to discuss von Mises in his intermediate macroeconomics course.

"Thank you for your generosity!"

From a visiting European scholar:

"Thank you for the opportunity to address your distinguished [Austrian Economics Colloquium at Auburn] and let me add that I was delighted to have the chance to attend your sound money conference [in Houston].

"I assure you that this seminar was one of the most stimulating and interesting academic events I have ever attended."

From a Houston homemaker:

"What a great seminar! I thoroughly enjoyed listening to all of your speakers and meeting the many interesting participants. You all did a good job. I hope you have another one in Houston in the near future."

From an Oregon business executive:

"Let me compliment you and your staff for the handling of the recent conference. I know that all those fortunate enough to be in attendance gained a better insight into the functioning of our money system. This knowledge plus the pleasure of meeting personally with all the informed guests have given us all a double reward for our attendance."

From a Texas farmer:

"Thank you for a great day. You and your staff made it a very rewarding experience.

"I hope that they realize that the personal attention they give to each individual, and to each detail, is one of the most valuable assets the Mises Institute can possess.

"Combined with the inspiring speakers, I am sure that we are all off and running toward our goal." ■

From the Director

Henry Hazlitt: A Celebration

by Llewellyn H. Rockwell, Jr.

On November 28th, Henry Hazlitt celebrated his 90th birthday, and we all have reason to celebrate with this premier economic journalist and giant in the fight for the free market and sound money.

Mr. Hazlitt started his career at the *Wall Street Journal* at the age of 19 when he was already deeply read in economics. He worked at the *New York Sun* and the *Nation*, and then became editor of the *American Mercury*.

From 1934 to 1946 he wrote most of the economic editorials for the *New York Times*. Among the classics: his analyses of the Bretton Woods agreements, which accurately predicted the monetary chaos they would cause.

When the publisher of the *Times* asked Henry Hazlitt to switch sides on the issue and endorse the pseudo-gold standard of Bretton Woods, Mr. Hazlitt resigned rather than do so. Until 1966 he wrote a signed column for *Newsweek*, and then became a syndicated columnist for the *Los Angeles Times Syndicate*.

Henry Hazlitt has written 20 books, including the magical *Economics in One Lesson*, which has sold more than a million copies, *The Failure of the New Economics*, *The Foundations of Morality*, and his latest, *From Bretton Woods to World Inflation*. Together, they form a masterwork that not only indicts Keynesianism and all forms of interventionism, but outlines the free, prosperous, and moral society to which he has dedicated his life.

(Continued on page 3)



Mr. Ellice McDonald, Jr., and Mrs. Elgin Groseclose present the Groseclose Award to Congressman Ron Paul at the dinner in his honor.

Airport Congestion -- A Case of Market Failure?

by Murray N. Rothbard

The press touted it as yet another chapter in the unending success story of "government-business cooperation." The traditional tale is that a glaring problem arises, caused by the unchecked and selfish actions of capitalist greed. And that then a wise and far-sighted government agency, seeing deeply and having only the public interest at heart, steps in and corrects the failure, its sage regulations gently but firmly bending private actions to the common good.

The latest chapter began in the summer of 1984, when it came to light that the public was suffering under a 73% increase in the number of delayed flights compared to the previous year. To the Federal Aviation Agency (FAA) and other agencies of government, the villain of the piece was clear. Its own imposed quotas on the number of flights at the nation's airports had been lifted at the beginning of the year, and, in response to this deregulation, the short-sighted airlines, each pursuing its own profits, overscheduled their flights in the highly remunerative peak hours of the day. The congestion and delays occurred at these hours, largely at the biggest and most used airports. The FAA soon made it clear that it was prepared to impose detailed, minute-by-minute maximum limits on takeoffs and landings at each airport, and threatened to do so if the airlines themselves did not come up with an acceptable plan. Under this bludgeoning, the airlines came up with a "voluntary" plan that was duly approved at the end of October, a plan that imposed maximum quotas of flights at the peak hours. Government-business cooperation had supposedly triumphed once more.

The real saga, however, is considerably less cheering. From the beginning of the airline industry until 1978, the Civil Aeronautics Board (CAB) imposed a coerced cartelization on the industry, parcelling out routes to favored airlines, and severely limiting competition, and keeping fares far over the free-market price. Largely due to the efforts of CAB chairman and economist Alfred E. Kahn, the Airline Deregulation Act was passed in 1978, deregulating routes, flights, and prices, and abolishing the CAB at the end of 1984.

What has really happened is that the FAA, previously limited to safety regulation and the nationalization of air traffic control services, has since then moved in to take up the torch of cartelization lost by the CAB. When President Reagan fired the air-controllers during the PATCO strike in 1981, a little-heralded consequence was that the FAA

stepped in to impose coerced maxima of flights at the various airports, all in the name of rationing scarce air-control services. An end of the air-controller crisis led the FAA to remove the controls in early 1984, but now here they are more than back again as a result of the congestion.

Furthermore, the quotas are now in force at the six top airports. Leading the parade in calling for the controls was Eastern Airlines, whose services using Kennedy and LaGuardia airports have, in recent years, been outcompeted by scrappy new People's Express, whose operations have vaulted Newark Airport from a virtual ghost airport to one of the top six (along with LaGuardia, Kennedy, Denver, Atlanta, and O'Hare at Chicago.) In imposing the "voluntary" quotas, it does not seem accidental that the peak hour flights at Newark Airport were drastically reduced (from 100 to 68), while the LaGuardia and Kennedy peak hour flights were actually increased.

But, in any case, was the peak hour congestion a case of market failure? Whenever economists see a shortage, they are trained to look immediately for the maximum price control below the free-market. And sure enough, this is what has happened. We must realize that all commercial airports in this country are government-owned and operated -- all by local governments except Dulles and National, owned by the federal government. And governments are not interested, as is private enterprise, in rational pricing, that is, in a pricing that achieves the greatest profits. Other political considerations invariably take over. And so every airport charges fees for its "slots" (landing and takeoff spots on its runways) far below the market-clearing price that would be achieved under private ownership. Hence congestion occurs at valuable peak hours, with private corporate jets taking up space from which they would obviously be out-competed by the large commercial airliners. The only genuine solution to airport congestion is to impose market-clearing pricing, with far higher slot fees at peak than at non-peak hours. And this would accomplish the task while encouraging rather than crippling competition by the compulsory rating of underpriced slots imposed by the FAA. But such rational pricing will only be achieved when airports are privatized -- taken out of the inefficient and political control of government.

There is also another important area to be privatized. Air control services are a compulsory monopoly of the federal government, under the aegis of the FAA. Even though the FAA promised to be back to pre-strike air control capacity by 1983, it still employs 19% fewer air controllers than before the strike, all trying to handle 6% greater traffic.

(Continued on page 4)

Colloquium...continued from page 3

Professor Israel Kirzner
New York University

Professor Don Lavoie
George Mason University

Professor Richard Timberlake
University of Georgia

Professor Lawrence H. White
New York University

For the 1984-85 academic year, the first two visiting scholars were:

Professor Bruce Caldwell
University of North Carolina at Greensboro

Dr. Kurt R. Leube
Hoover Institution of Stanford University

Other prominent scholars -- including Professor Murray N. Rothbard of the University of Nevada, Dean Thomas Taylor of the Wake Forest University Business School, Professor Richard Wagner of Florida State University, and Professor Richard Ebeling of the University of Dallas -- will visit as well, to make sure that the second year of this important Institute program is as stimulating and useful as the first. ■

*In conjunction with the Auburn Departments of Philosophy, Political Science, and Sociology.

The Houston Conference...continued from page 1

ing parallels between the inflationary schemes of early 18th-century France and today.

The wrap-up speaker was Professor Leonard Liggio of the Institute for Humane Studies, who talked about the Founding Fathers and why they opposed fiat money, and



Some of the Institute's graduate students and academic and administrative staff on the front steps of Auburn University's Thach Hall: (rear, l-r) Mr. Mark Thornton, Mr. Lew Rockwell, Dr. Randy Holcombe, Mr. Sven Thommesen, Mr. John McCallie, Mr. Don Boudreaux, Dr. Roger Garrison; (front, l-r) Ms. Tamara Montgomery, Ms. Pat Heckman, Dr. Don Bellante, Dr. Bob Hebert (Head of the Economics Department), Dr. Steve Morrell, Ms. Christi Swain, and Ms. Mardi Orr.

the struggle throughout American history between those who support sound money and those who profit from inflation.

Our reception and dinner that evening in honor of Congressman Ron Paul was impressive, with 226 attending. First Mrs. Elgin Groseclose and Mr. Ellice McDonald presented him with the Groseclose Prize -- an encased \$20 gold piece and a scroll -- for his leadership on behalf of sound money, and then Dr. Paul spoke on "The Case for Gold."

The prize, to be awarded annually, is named for the late Professor Elgin Groseclose, eminent monetary economist and founder of the Institute for Monetary Research, Inc., now merged into the Mises Institute. Mr. McDonald -- prominent Delaware businessman and now a Mises Institute board member -- was chairman of Dr. Groseclose's Institute.

At the end of the dinner, money was donated to establish a Ron Paul Scholarship Fund. Scholarships will be awarded to deserving students -- from seniors in high school to PhD candidates -- who are dedicated to the ideals of Ludwig von Mises, the person who inspired Congressman Paul's own work for the free market and sound money.

The entire day was audio and video taped for nationwide classroom and media use, to make sure that the ideas expressed have the widest possible audience. ■

Airport Congestion...continued from page 5

Once again, the genuine solution is to privatize air-traffic control. There is no real reason why pilots, aircraft companies, and all other aspects of the airline industry can be private, but that somehow air control must always remain a nationalized service. Upon the privatization of air control, it will be possible to send the FAA to join the CAB in the forgotten scrap heap of history. ■

Henry Hazlitt...continued from page 2

Not once, in all he has written, has there been an awkward sentence or a murky one. His clear and sparkling style seems only -- like his commitment to freedom -- to grow stronger.

Mr. Hazlitt called himself "almost a born free-enterpriser" in a recent interview in the Mises Institute's *Austrian Economics Newsletter*. (Copies are free on request.)

"One summer when I was a kid," he told *AEN*, he lived with his uncle, an electrician for an amusement park called *The Galveston Flood*.

The park had few customers that summer, and the owners one hope was the traditional 4th of July crowd. "But it... poured," said Mr. Hazlitt. "Nobody came. I acquired a deep empathy with entrepreneurs. I didn't think of them as people who make obscene profits, but as people who could make unforeseen losses. That experience put me on the free enterprise side."

That side, of course, made him a natural ally of Ludwig von Mises. And Henry Hazlitt was not only one of Professor and Mrs. Mises' closest friends, he was also an indispensable supporter.

Mr. Hazlitt saw a review of Mises' *Socialism* in an English periodical in 1936, and he requested a review copy for the *New York Times*. His long, favorable review described the book as "a classic written in our times."

"I mailed a copy of my review to Mises," noted Mr. Hazlitt, "Lu answered me, and that was the beginning of our correspondence. In 1940 I got a telephone call. The voice on the other end said 'This is Mises speaking.' It was as if someone had called and said: 'This is John Stuart Mill speaking.' I had referred to Mises as a 'classic,' and you don't expect a classic to call you on the telephone!"

Henry Hazlitt was of great personal help when Professor and Mrs. Mises came to the United States in 1940. He was also crucial in his support of Misesian ideas. It was Henry Hazlitt, for example, who persuaded Yale University Press to publish Mises' *Omnipotent Government* and *Human Action*, both of which he edited for English idiom.

Henry Hazlitt and Margit von Mises continue to be close friends, and to work hard for the ideas they have both espoused all their lives. Mr. Hazlitt's early support of the Mises Institute, and his willingness to serve on our board of visitors, have helped inspire all of us.

Like Mises, Henry Hazlitt combines an inflexible adherence to principle with a rare personal gentleness. His millions of readers know Henry Hazlitt as an incisive thinker, an outstanding economist, *the* great communicator of economic truth in our time, and an unflagging champion of freedom. He is also a man of great personal goodness.

All of us who love and admire Henry Hazlitt look forward to the real celebration ten years from now, and to reading all he writes in the intervening years. Certainly the cause of liberty has never needed him more. ■



Professor James Buchanan discusses "Science and Politics" at the Institute's Austrian Economics Colloquium.

The Austrian Economics Colloquium

The Institute's first academic program at Auburn was its graduate-level Austrian Economics Colloquium, a bi-weekly seminar for students and faculty.

Directed by Professor Don Bellante and taught by him in the fall quarter, it is taught by Professor Roger W. Garrison in the winter and Professor Randall C. Holcombe in the spring. All three are members of the Auburn Economics Department.

Papers are delivered and discussed by Institute faculty and graduate students as well as visiting scholars. During 1983-84 academic year, the Institute brought to Auburn such distinguished visitors as:

Professor James Buchanan
George Mason University

Dr. Thomas Humphreys
Richmond Federal Reserve Bank

Professor Iredell Jenkins*
University of Alabama

(Continued on page 4)

New "Council for Monetary Reform" To Analyze Federal Reserve

A new Council for Monetary Reform has been founded by Congressman Ron Paul to analyze Federal Reserve actions, and propose free-market alternatives to the present central bank system. Secretary of the Council is Institute director Lew Rockwell.

"Today," notes the Council, "the entire world is adrift in a sea of unpredictable paper monies under the monopoly control of national governments. The consequences have been dramatic and debilitating.

"Central-bank generated inflationary cycles have brought gigantic deficits; widespread bank failures; erratic fluctuations in the value of currencies and in interest rates; international waves of unemployment; and stunted economic growth....

"The...Council will evaluate free-market alternatives to government monopolized money institutions...and address economic issues affected by monetary policy such as interest rates, price inflation, the federal deficit, unemployment, bank insolvencies, and the balance of payments and trade...and will critically evaluate the on-going policies of the Federal Reserve, specifically in comparison to possible commodity or specie-based monetary standards."

The Mises Institute is proud that every Council member is either a board member, faculty member, or adjunct scholar of the Institute, or has been a speaker at an Institute conference.

The Council members, in addition to Ron Paul and Lew Rockwell, are:

Elizabeth Currier <i>Committee for Monetary Research and Education</i>	Murray N. Rothbard <i>University of Nevada</i>
Richard Ebeling <i>University of Dallas</i>	Joseph Salerno <i>Rutgers University</i>
Roger Garrison <i>Auburn University</i>	Hans Sennholz <i>Grove City College</i>
Henry Hazlitt <i>Wilton, Connecticut</i>	David Theroux <i>Pacific Institute</i>
Jack High <i>George Mason University</i>	Lawrence H. White <i>New York University</i>
Leonard Liggio <i>Institute for Human Studies</i>	Leland B. Yeager <i>Auburn University</i>
William Quirk <i>University of So. Carolina</i>	

The Ludwig von Mises Institute

Board of Visitors

Mrs. Ludwig von Mises <i>Chairman New York City</i>	Ellice McDonald, Jr. <i>Greenville, Delaware</i>
John V. Denson, <i>Vice Chairman</i> <i>Opelika, Alabama</i>	Ron Paul <i>Washington, D.C.</i>
F.A. Hayek <i>University of Freiberg</i>	Murray N. Rothbard <i>New York Polytechnic Institute</i>
Henry Hazlitt <i>Wilton, Connecticut</i>	Hans F. Sennholz <i>Grove City College</i>

Entrepreneurs Council

Burton S. Blumert, *Chairman*
Burlingame, California

O. P. Alford <i>Rio Hondo, Texas</i>	Robert D. Love <i>Wichita, Kansas</i>
Arnold Bernhard <i>New York, New York</i>	J. J. Mahoney <i>Charleston, South Carolina</i>
James U. Blanchard, III <i>Metairie, Louisiana</i>	J. W. Middendorf, II <i>Washington, D.C.</i>
F. Joseph Bradley <i>Hunt Valley, Maryland</i>	A. Minis, Jr. <i>Savannah, Georgia</i>
Douglas R. Casey <i>Washington, D.C.</i>	David H. Padden <i>Chicago, Illinois</i>
Robert T. Dofflemyer <i>Woodlake, California</i>	Tyson E. Poppell <i>Fort Worth, Texas</i>
William A. Dunn <i>Stuart, Florida</i>	Catherine D. Roland <i>Andalusia, Alabama</i>
Lawrence Fertig <i>New York, New York</i>	Howard J. Ruff <i>Pleasanton, California</i>
Kenneth J. Gerbino <i>Beverly Hills, California</i>	John L. Ryan <i>Indianapolis, Indiana</i>
Robert D. Kephart <i>Largo, Florida</i>	Frank P. Samford, Jr. <i>Birmingham, Alabama</i>
David H. Keyston <i>San Mateo, California</i>	Raleigh L. Shaklee <i>Oakland, California</i>
H. F. Langenberg <i>St. Louis, Missouri</i>	Mark Skousen <i>Merrifield, Virginia</i>
Hugh E. Ledbetter <i>Norman, Oklahoma</i>	Robbins Taylor, Jr. <i>Montgomery, Alabama</i>

Executive Staff

Llewellyn H. Rockwell, Jr.
Director

Roger W. Garrison <i>Associate Director for Academic Affairs</i>	Mardelle Orr <i>Financial Administrator</i>
Patricia Heckman <i>Program Manager</i>	Christi C. Swain <i>Office Administrator</i>

The Free Market is published for supporters and friends of the Ludwig von Mises Institute, Auburn University, Thach Hall, Auburn, Alabama 36849 • (205) 826-2500. Volume III, Number 1.