

The

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The Sovereign Individual

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Helio Beltrão is the founder and president of Instituto Mises Brasil (helio@mises.org.br). This Libertas Award acceptance speech was delivered at the XXIII Forum da Liberdade, in Porto Alegre, Brazil, on April 12, 2010.

Mises was one of the greatest intellectuals of the twentieth century, a resolute and uncompromising champion of freedom. Fifty years ago, Mises came to South America and delivered those six historic lectures, which are heralded and quoted just outside, at the Forum's exhibit.

Today, there is a great international revival of Misesian ideas—including in Brazil—which show the benefits that consumers and workers derive when they are free to venture, to chart their course, and to fulfill their desires.

This week, in Porto Alegre, there is a great concentration of intellectual heirs of Ludwig von Mises. We, from Instituto Mises Brasil, have just concluded our first conference, which was a great success, and it could not have been otherwise! The energy emanating from you is contagious. We have here today many scholars and experts of the Austrian School of economics. Tom Woods, one of the speakers at our conference and the bestseller author of *Meltdown*, will address you tomorrow. The legendary founder and chairman of the Mises Institute—Lew Rockwell—is also among us tonight! Without Lew, there would be no Mises Institute, no revival of the Austrian School, no Instituto Mises Brasil. Thank you, Lew.

And above all, thanks to you, President Fração, to IEE [The Institute for Entrepreneurial Studies], for your support to our conference and especially for your achievements in the fight for liberty. Results come first in this contest; the results of the work of IEE and of the Forum da Liberdade are both evident and quantifiable. Congratulations, IEE!

On other occasions, I customarily speak about finance and economics, about the measures that are likely to bring about a more prosperous society; in other words, as did Mises, I usually speak about what *works* and what *does not*.

Today, for the first time, I am addressing a different subject. I speak about what moves me. I speak about where my energy, as an individual, originates. Its source is here, in this advanced and progressive libertarian community, which looks forward to *real* changes; not merely illusory changes from campaign slogans. I feel at home. It is a great honor to receive the Libertas Award.

The history of ethics has been a history of exploitation. From time immemorial, individuals were set apart into two groups: those that must obey the rules, and ➡

those that need not. The people must observe ethics and morals, while rulers not.

The ethics that you and I must observe correctly advocates that one should not steal the property of others, should not murder, and should not force others to do something against their will.

But note that those ethical rules do not apply to government—the government takes your money, calls it “democratic taxes,” and *presto!*—it is now authorized to steal.

If one enslaves another, this is considered a heinous crime. After all, slavery is the antithesis of individuality! However, in the case of government, they will draft you to “serve your nation” for a year, call this conscription “military service,” and serfdom becomes perfectly legal.

If one kills a neighbor, this is murder. However, if he is an agent of the government—particularly that of the United States—using an olive-green uniform, and invoking a “preventive” war or similar excuse, suddenly it becomes permissible to murder—legally.

Counterfeiting is a crime, but only for you and me. For the government has the money-printing machine, or more precisely, the *counterfeiting* machine. If it is they doing it, fine. If it is we, we go to jail.

Three hundred years ago, a substantial part of the population in the Americas was comprised of slaves. One hundred percent of the fruits of their labor were the property of their owners. Today, we are no longer slaves.

However, about 40 to 50 percent of the product of your efforts and talent are not your property, but your masters’; that is, the government and its friends. This is what you pay, whether you like it or not, embedded in the prices of the products, or through other taxes, duties, or tariffs. We are no longer slaves, but we are serfs.

Previously, the slave owner would threaten to punish with a whip a slave who refused to work. Now, if you refuse to pay the government, you are summoned and attacked with lawsuits, until you are finally thrown into jail. In both cases, the violence is of the same nature. The gun doesn’t even need to be displayed, as in the case of the customary robber. The mere threat of violence suffices. But the gun is always present, in the robber’s pocket and in the ruler’s jacket.

Theft and slavery are crimes, even if sanctioned by the majority of the people! Theft of the government, by the government, and for the government is somehow accepted and rationalized by the population at large. Why does that majority agree with this theft?

We must analyze the most misrepresented concept nowadays: the concept of democracy.

The conventional use of the term “democracy” conveys a certain disrespect for semantics. Most of us utilize the word democracy when we actually mean other concepts, such as the “rule of law,” “liberty,” “equality before the law,” “individual rights,” “solid institutions,” “justice,” and other concepts that have specific words to designate them.

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Democracy is, formally, the regime of majority rule; that is, the majority of voters decides whatever it sees fit. Or, as is commonly said, it is the tyranny of the majority—which in practice means the tyranny of the minority: that of the politicians who rule over our lives and property.

The adulteration of meanings has practical consequences. When we say that Brazil is a “democracy,” we assume that we are “rulers of ourselves”—while, in fact, there are still rulers on the one hand, and citizen-subjects on the other. The concept of democracy is employed to obfuscate and confound, with the purpose of having us believe that there is equality among all.

Yet, dumbfounded or not by the smoke and mirrors, why do we suffer so much at the hands of those ruler-governors, if we are many and they are few? Why do we become enchanted with the belief that our ruler-governors are just and benevolent, when we experience evidence otherwise every day, everywhere? Why do we allow so many abuses of liberty and property, if the power the rulers possess is only that which we bestow onto them? Why do we let them treat us like beasts?

The recapture of our rights does not require that we take up arms, demonstrate, or even vote—we are, after all, a much larger legion than our ruler-governors. In a face-to-face combat of the many against the few, where the many fight for the grand prize of liberty, while the few fight for the chance to subjugate the many, it is likely that no shots need be fired before the many are declared the winners. We, therefore, reach the paradoxical conclusion that we don’t reclaim our rights because we do not want to; because we support, explicitly or tacitly, the tyranny inflicted by the ruler-governors.

The famous movie *The Matrix* illustrates the point. In a somber future, human beings are enslaved by

machines, kept in captivity in a deep hypnotic sleep to supply energy to the machines, but are led to believe that they live normal lives. The illusion is virtually perfect—humans genuinely believe they are walking freely in the streets, or eating a juicy steak. But that is merely a virtual reality—called “the Matrix”—which the machines generate by pumping electrical stimuli into humans’ brains. The machines, originally created to serve humans, have turned against and enslaved them.

In the movie, some individuals—those that take the red pill—succeed in seeing reality as it is: that the Matrix is in fact a prison—the concoction of a well-devised delusion—and that their bodies are in captivity without their knowledge. But even those that take the red pill cannot escape the virtual reality’s elaborate chains. Some refuse to reflect upon what is really happening; others know they live a delusion but rationalize their status—they conjecture that it is tough to change it, that it was always like this, and end up opting to live under the comfort of their bondage.

But, as I said before, nothing needs to be taken from the tyrants—one needs only to cease giving them what is his own! In the movie, this would take place if he desires to wake up from the hypnotic sleep, and proceed to sever the wires that fill his brains with the Matrix, stand up on his feet and walk, free.

Outside Hollywood, it is simpler to end the bondage. You must become aware that no one may rule your life without your consent, no matter what the excuse or argument, smoke and mirrors notwithstanding. You must recognize that no one knows better than you what is best for yourself; that there is no political authority above you; that you don’t have any owners, and therefore, that you don’t need to pay tribute to obtain your liberty or tranquility. And when that realization

comes, you will say to yourself, *I am a sovereign individual!*

In *The Matrix*, this insight comes in a scene, in virtual reality, where countless machine guns are fired against the hero, Neo. He looks at the guns and realizes that the explicit violence has no effectiveness without his own consent—the bullets dissolve into digital zeroes and ones. Neo grabs one floating bullet between his fingers, and the whole apparatus of the enemy tumbles, powerless.

Tyranny ends when we cease to support voluntarily our own serfdom.

Finally, I would like to point out that it is not necessary to change the world or to create a nation of sovereign

individuals. What matters—and what one can do right now—is to live as a sovereign individual, staying close to those who respect you as such, and avoiding the manipulators and those who desire to live as parasites on your energy, talents, and virtues. Therefore, we may achieve freedom to a large extent during our lifetimes, independently of any eventual failure to end the serfdom perpetrated by the state. If you behave as a sovereign individual in your personal relationships, you will be contributing to your happiness and also to the transmission of the concept of individual sovereignty. That chain of good, I am certain, will abolish the chains of evil. ■FM

Should We Be Upbeat on Unemployment?

Douglas E. French

Douglas E. French is president of the Mises Institute and author of Early Speculative Bubbles & Increases in the Money Supply. French teaches in the Mises Academy and is offering a course in the Summer of 2010.

The April jobs report was described as “upbeat,” with the reported 290,000 positive job gain the best in four years. “It clearly shows that this economic recovery can no longer be seen as a jobless one,” said Bart van Ark, chief economist of the research firm The Conference Board. “Companies apparently are finding they can’t squeeze out any more output without adding workers.”

Even the increase in the headline unemployment rate to 9.9 percent because more workers re-entered the job market was spun as positive. “When you think about the force it takes to get 800,000 beaten-down people off the

couch and back on the street looking for work, that’s pretty significant,” said Lakshman Achuthan, managing director of Economic Cycle Research Institute.

What the headlines and talking heads didn’t mention was that there are still 15.3 million people lying around on the couch watching *Oprah* and *Ellen* every day and a record 46 percent of these folks have been out of work for six months or longer. The government’s U-6 unemployment measurement, which includes workers unemployed less than one year and thus termed “short-term discouraged,” rose to 17.1

percent. And adding back “long-term discouraged” workers gives us an unemployment rate of 22 percent.

Plus, as John Williams of Shadowstats.com fame points out, the dubious birth-death adjustment (an “unsupportable premise that jobs created by start-up companies in this downturn have more than offset jobs lost by companies going out of business”), “survives and remains a major distorting factor in monthly payroll reporting, likely adding in excess of 230,000 phantom jobs per month at present. That now could be roughly 300,000, given the unusual April data.” And then there are those 66,000 census jobs, which add to the cheery numbers.

Williams reports that next month’s reporting will reflect the peak in census hiring. But this temporary bump will be short lived. “Based on employment patterns for the 2000 census,” writes Williams, “nearly all such gains should reverse out of the data by the end of September, with June payrolls reflecting the first outright contraction in the reversal of current hiring.”

From the peak month of December 2007 to January of this year, over 8.3 million jobs were lost as the real-estate boom turned to bust. As David Wessell wrote with emphasis in the *Wall Street Journal* last week “one in every five men 25 to 54 isn’t working.”

The point Wessell clearly makes is that many of the jobs done by men during the boom—such as construction, manufacturing, and paper-pushing work in finance—when the unemployment rate bottomed at 4.4 percent aren’t needed again anytime soon.

Even a law degree hasn’t turned out to be a sure bet. Nathan Koppel writes in the *WSJ* about law grads like Fabian Ronisky, who will be moving back in with his parents and selling music and movies online after racking up \$150,000 in student loans to earn a law degree from Northwestern.

Uneducated men have a tough go of it looking for work. But the question is whether they are looking very hard. According to Wessell, “On average, surveys find, the unemployed in the U.S. spend 40 minutes a day looking for work and 3 hours and 20 minutes a day watching TV.” Many of these unemployed men must not realize that they will never work again, and according to Wessell, if they do it will be as greeters at Walmart or as security guards at the local mall.

Of course, lost in this discussion is the Bush administration’s increase of the federal minimum-wage rate in three stages. In the summer of 2007, the minimum wage rose 70 cents to \$5.85 per hour. The next summer, it automatically increased to \$6.55, and last July the federal minimum was set at \$7.25 per hour. So the price of unskilled labor has increased over 40 percent, while the economy has hit the ditch. It’s a wonder the unemployment rate isn’t higher than it is.

And in some states the minimum is even higher. Michigan, which in March had the highest unemployment rate in the nation, at 14.1 percent, has a minimum wage of \$7.40 per hour. Hard-hit Nevada, with a 13.4 percent unemployment rate, will see its minimum wage increase to \$8.25 per hour on July 1st for employers who don’t provide health insurance. California’s minimum wage is \$8.00, while its unemployment rate is 12.6 percent. The state of Washington has the highest minimum wage at \$8.55 per hour, with 9.5 percent of its workers unemployed.

As bad as the government’s pricing unskilled labor out of the market is for men, for young people trying to get their first job, it’s catastrophic. The *New York Post* reported last September that “the number of young Americans without a job has exploded to 53.4 percent—a post-World War II high, according to the Labor Dept.”

The worry is that this lack of jobs will create a lost generation, because “Studies suggest that an extended period of youthful joblessness can significantly depress lifetime income as people get stuck in jobs that are beneath their capabilities, or come to be seen by employers as damaged goods,” writes *BusinessWeek*’s Peter Coy.

With unskilled and young workers priced out of the market, chronic high unemployment rates will become common in the United States, just as in Europe. In which case, “this era of high joblessness will likely change the life course and character of a generation of young adults—and quite possibly those of the children behind them as well,” Don Peck wrote in the *Atlantic*.

It will leave an indelible imprint on many blue-collar white men—and on white culture. It could change the nature of modern marriage, and also cripple marriage as an institution in many communities. It may already be plunging many inner cities into a kind of despair and dysfunction not seen for decades. Ultimately, it is likely to warp our politics, our culture, and the character of our society for years.

Art Carden explains what Messrs. Coy and Peck lament about in his article “The Hidden Costs of a Minimum Wage.” Carden explains that wage minimums cause employers to substitute skilled for unskilled labor. So, on-the-job training is reduced, which “in the long run . . . must reduce the number of opportunities for those laborers to acquire valuable job skills. Far from increasing opportunities for the working poor, a minimum wage actually restricts their mobility.”

Also, workers, given a raise by the government, and not necessarily on the merits of their work output, are put at odds with employers. “Encouraging the view that employment is a raw deal has created needless acrimony,” Carden writes. “At the margin, this

intimidates people and discourages some from becoming employers themselves.”

Getting up and going to work becomes a habit—a good habit. In fact for most of us it becomes an obsession. Besides the particular job skills learned at work, young people learn responsibility, how to get along with others, how to take direction, and how to deal with difficult people. But most important, the feeling of accomplishment and the satisfaction of a job well done is never felt by those who never enter the private work force. Showing up for make-work jobs like people-counting for the government will never provide that.

Murray Rothbard described minimum-wage laws in *Power and Market* as compulsory unemployment. During the boom there was great pressure in Washington to raise the minimum wage after the federal government had left it alone for a decade. Of course, those who agitated for it said it would increase the living standards for marginal workers. As Rothbard explains, “the actual effect is precisely the reverse—it is to render them unemployable at legal wage rates. The higher the minimum-wage rate relative to free-market rates, the greater the resulting unemployment.”

In a depression, all prices must be allowed to adjust downward. Wages are no different. First and foremost, the government’s artificial wage floor should be removed. The future of a generation depends on it. ■ FM



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