The General Welfare: “Virtue Is Not Always Amiable”

A persistent myth in American history is that Franklin Roosevelt and the New Deal created jobs during the Great Depression and helped the poor “forgotten man” who was thrown out of work. Almost every American history text echoes this myth in its pages. Irwin Ungar, for example, who won a Pulitzer Prize for a book on economic history, recounts it this way in his textbook *These United States*: “By 1935 millions of Americans had reason to thank the New Deal and the Democratic party for their compassion and help. Creative men and women were grateful for the opportunity under the WPA to do productive work. Unemployed factory workers could thank the president for the relief that kept them from hunger.”

Let’s look carefully at the claims that the New Deal created jobs and that these jobs especially helped poor people. It is true that the New Deal, through the WPA, the PWA, and the CCC, did put many Americans to work building bridges, paving roads, and planting trees. But this didn’t necessarily create jobs. As Henry Hazlitt reminded us in *Economics in One Lesson*, “Every dollar of government spending seemingly creating jobs. “But there are other things that we do not see,” Hazlitt noted, “because, alas, they have never been permitted to come into existence. They are the jobs destroyed by the $10 million taken from the taxpayers. All that has happened, at best, is that there has been a diversion because of the project.” No wonder unemployment during FDR’s second term was almost as high as it was when he took office.

The New Deal, however, did more harm than just shuffling workers out of textile mills and car factories and into government jobs. Because of the inevitable political manipulations, the tax dollars collected during the New Deal were skewed in their distribution. Whether the “forgotten man” was helped by the New Deal, then, often depended on how willing he was to use his time and the little money he had to help Democratic candidates.

(Continued on page 4 – Myths of the New Deal)

Myths of the New Deal _by Prof. Burton Folsom Jr._
James Wilson was born September 14, 1742 and died August 21, 1798. He was a signer of the Declaration of Independence, and the United States Constitution. He was a lawyer, a jurist, a political philosopher, a land speculator and statesman. Wilson was the eldest son of William and Alison Landale Wilson in Carسكerto, Scotland. He received his early education at the Cupar Grammar School; then, he attended the Universities of St. Andrews in Glasgow, and Edinburgh. He did not earn a degree; for upon his father’s death in 1762, Wilson withdrew from his studies to become a tutor. But this occupation did not fulfill his aspiring and ambitious dreams to be something more. So, in 1765, Wilson petitioned “the little village of his boyhood” for an opportunity to join his friends and relatives in America. He was graciously provided that opportunity.

In coming to America, Wilson was given a teaching appointment as a Latin tutor at the College of Philadelphia; he later petitioned the college and received an honorary MA degree. He then moved on to study law with founding father John Dickinson, a lawyer and a judge. After two years of study, Wilson passed the Pennsylvania bar, and in 1767 set up his own law practice in Reading, Pennsylvania. Two years later, he would relocate to the Town of Carlisle where he married into a family of local importance. Wilson became successful as a lawyer and a lecturer on English Literature at the College of Philadelphia. He acquired considerable wealth, invested in a small farm near Carlisle and ultimately involved himself in land speculation. In 1774, Wilson entered politics representing Carlisle at a Provincial Assembly meeting. He was elected a member of the local Committee of Correspondence; he became a radical advocate for the American revolutionary movement.

At that time, pamphlets were a popular way of inspiring the patriotic movement; Wilson made his own controversial contribution to this effort in writing the: “Considerations on the Nature and Extent of Legislative Authority of the British Parliament. In it, he argued against Parliament’s authority to pass laws relative to the Colonies: “all men are, by nature, equal and free,” he said, therefore Parliament could have no authority over Englishmen in America. The Continental Congress, then meeting in Annapolis, would later review this document.

Wilson’s brilliant oratorical skills earned him great admiration by his colleagues; few, if any, wished to be on the other side of a debate against him. He would use these skills to push the patriotic movement for Independence. However, Wilson would soon find himself riding the fence with respect to this issue; for his constituents were allegedly split on ratification. Therein, there are at least two accounts which contradict Wilson’s voting his own opinion; one asserts that after he so forcefully defended separation, he refused to vote for it because Pennsylvania was divided on the issue. Instead, with the support of other Congressmen, he requested that the vote be delayed giving him time to convince his constituents differently. Thus, it is said, he managed to do; then, he signed the Declaration of Independence. A second account claims he disregarded his constituents position to assert his own.

After the signing of the Declaration, Wilson turned his attention to the drafting of the Pennsylvania State constitution. He called the one already drafted, “the most detestable that ever was formed.” His opposition to it nearly cost him his seat in the Continental Congress, to which he had been elected in 1775. He was, in fact, recalled in 1777 as a result of his opinion; but because no one would come forward to fill the seat, Wilson was returned to finish his term. He would, however, have a central and positive role to play in the writing of the 1790 Pennsylvania constitution.

At the end of his congressional term, Wilson remained in Annapolis for a short time; when he returned, he moved his law practice from Reading to Philadelphia. He also resumed his land speculation activities. He borrowed and gambled heavily; and, as a result of that he acquired was nearly arrested on several occasions. Wilson was also accused of “engrossing,” the practice of withholding goods from the market in order to drive up prices. In 1779, during a food shortage, rioters, who had themselves into a militia, attacked both him and his property. Wilson was rescued by law enforcement troops but had to remain hidden until tempests were cooler.

That same year, however, the French appointed Wilson to be their U.S. Advocate General for Marianna and the United States. In 1780, he was appointed as a director of the first Bank of North America. Then in 1782, he was once again elected to Congress where he worked with Robert Morris on financial matters. Following that he was appointed a delegate to the 1787 Constitutional Convention in Philadelphia.

As a delegate to the Constitutional Convention, Wilson was one of the most vociferous delegates speaking 168 times on the convention floor second in frequency only to founding father Gouvernor Morris. Wilson’s oratories were not always congruent with most of the other delegates’ frame of mind. He did not hold to their “expressions of faith in the common man and in the future of America.” For example, he argued strenuously for the doctrine of judicial review; that is, for the right of the Supreme Court to review all actions of congress before they were passed into law. As to his contributions, he found himself on the denied list more than the approved list. One account holds that “Wilson is perhaps most useful in directing attention to what the authors of the Constitution did not intend for it to mean.” Additionally, it appears that he was not much of a “states rights” fellow; that he had difficulty recognizing the “one out of many” doctrine. He denied “that the states were sovereign in their connection through the Articles of Confederation.”

After ratification of the Constitution, Wilson sought an appointment in the new Government. President Washington appointed him an Associate Justice to the Supreme Court in 1799; his heart had been set on Chief Justice. But Washington knew of his passion for land speculation and of the trouble and reputation that had brought him. Washington thought better of handing him the Chief Justice position despite Robert Morris’ lobbying to get Wilson the job.

Various accounts report that the remainder of Wilson’s life went miserably. He had lost his wife in 1786, three years prior to his becoming an associate justice. Then in 1792, while still serving on the Supreme Court, he returned to land speculating making deals in both New York and Pennsylvania. This would ultimately prove to be Wilson’s Waterloo; as, shortly after resuming this activity, he depleted his finances and found himself spending time in debtor’s prison. By 1798, Wilson was a broken man; he died while visiting a friend in North Carolina that same year.

Most accounts seem to agree that Wilson’s personality was cold, and rather “humbug.” He is said to have abandoned the faith of his youth to become an Anglican; but, according to one account, he was more a Deist than anything. His haughty manner made him a “much-hated figure in his state,” and this would seem to be verified by the attacks upon his person and property in 1779; then again later, in 1788, when he was burned in effigy by another rioting mob. Nevertheless, he was the dominant figure at the Pennsylvania Ratification Convention wherein he is said to have “placated the Anti-federalists with promises that “all rights not specifically given to the general government” were “reserved to the states.” With that, he argued against the need for a Bill of Rights. His performance on the floor of the ratification convention, according to founding father Benjamin Rush, was the equivalent of a “blaze of light.”

James Wilson’s life was far from dull. He was a brilliant orator, lawyer and an ambitious entrepreneur who used his skills to acquire great wealth. America, he said is “the home of limitless progress … and “it is the glorious destiny of man to be always progressive.” But it was Wilson’s “compulsive and irrational” commitment to progress that finally caught up with him. Still, except for men with the spirit of James Wilson, we may yet be spoken of as “subjects” rather than as a free people. Accordingly, we are in his debt.
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opinions are certainly as detestable as their prac-
tices are destructive. 12

How distraught these honorable men would be if they knew the extent to which the American republic has been subverted. And, of the scores of constitu-
tionally repugnant projects brokered over the last 60 plus years to push America toward the welfare state: “Expensive socialist experiments” that “have made a shambles of the Constitutional principles origi-
nally comprising the great American success for-

Hence, the general welfare clause may not be used to legitimize the political practice of rent seeking. There is no lawful role for rent seeking to play in American gov-
ernment; it is instead an anathema to it. It is a means of leveling the people, which is outlawed by the Constitu-
tion: “The utopian schemes of leveling [the redistribution of the wealth], are arbitrary and despotic, and in our gov-
ernment unconstitutional.” 16

Rent seeking is simply the vehicle by which America’s central planners have chosen to implement socialism. It is tyrannical and akin to government under King George III; it creates titles of nobility also outlawed in two places by the Constitution: Article I Section 9 “No Title of Nobility shall be granted by the United States ...” and Section 10: “No State shall...grant any Title of Nobility.” Moreover, rent seeking establishes a sys-
tem of patronage and privilege; it pits citizen against citizen; it is, “the chief weapon in a political war of all against all.” 17

A nation that tolerates the practice of rent seeking is a nation that allows its prosperity to be held captive to voting blocs, political payoffs and mob rule politics; rent seeking therefore harms the national economy. If there is value to be gained through political action, per-
sons will invest resources in efforts to capture this value. And, if this value takes the form of any transfer from one group to another, the investment is wasteful in an aggregate sense. These resources could have been used to produce valuable goods and services. 18

But recall, rent seeking is a two-way street; politi-
cians are not simply pursued by rent seeking voting blocs (i.e. senior citizen groups, trade associations, la-
brunions, etc.); they also engage in it:

At bottom, rent seeking is characteristic of a nation

(Continued on page 8 Chairman’s Corner)
Outing the fall semester, the first examination given to my principles-of-economics students included this: Discuss the following statement: When an economic function is turned over to the government, social cooperation invarably replaces self-interest as the motivation for human action. The proper answer to the question, of course, is that the statement is "false" and that redistributing control over property cannot change the underlying nature of human beings. In truth, "self-interest" remains an adequate term for describing human behavior, and it applies as much to government officials as it does to anyone else. If the demise of the Soviet system taught us anything, it is that communism will not reconstruct humanity and is the "new man" who suddenly becomes only concerned about others.

I had chosen the question because one of the six chapters of our text covered on the exam dealt with issues themselves. The third chapter of our text covered on the exam dealt with issues as well.

Students Who Should Know Better

To put the situation into better perspective it is important to understand my institution and the kind of students I teach. Birmingham Southern is a small, private liberal arts college that has gained a reasonable national reputation for quality education. In Alabama the college is considered the premiere school of higher learning of this type. As such, it attracts students of high caliber. Our students generally go on to graduate and professional schools and often do well in their careers. In addition to this, because it is a private college, the students are generally from middle- or upper-class backgrounds. Therefore, the majority would have received their lower education in some of the best public schools in the state, while a minority would have had private school education.

Given all this, it might be curious that my students did so poorly with the question. More surprising perhaps is that among the students who answered the question correctly, two were from other countries, the former Yugoslavia and China. It is interesting that these two young women who have firsthand knowledge of government control over the entire economy were able to discern the falsity of the statement I presented, while those reared in some of the best circumstances the United States has to offer could not.

As I pondered this, I came to a few conclusions. First, there is a real problem in education today. Students seem unwilling to accept a position purely on the basis of rational argument. My knowledge of political economy and the evidence I provided in class were not enough to persuade my students that human nature does not change because the government takes over something. At least half were apparently unwilling to relinquish their socialist views despite the facts and arguments I presented. This reminds me of Ben Franklin’s statement, “Experience keeps a dear school, but the fool will learn in no other.”

The second conclusion is that the government’s socialized educational system has done an excellent job of propagandizing students into accepting socialist dogma. Throughout the classroom presentations there was little debate and almost no discussion that might have allowed us to dispense with the myths of socialism. Yet it would appear that for the students none was necessary, for they felt no need to actually think about the issues themselves.

My final conclusion is that the government’s socialized educational system has done an excellent job of propagandizing students into accepting socialist dogma. Throughout the classroom presentations there was little debate and almost no discussion that might have allowed us to dispense with the myths of socialism. Yet it would appear that for the students none was necessary, for they felt no need to actually think about the issues themselves.

1. What was the original meaning of the phrase to “provide for the general welfare?”
2. The Constitution says Congress can spend for the “general welfare.” Does this include money for state and local needs?
3. Having granted twenty specific powers to the federal government, the Constitution empowers the Congress to pass any laws which are “necessary and proper” to carry out these responsibilities. Why is it known as the “elastic clause”?
4. Which one of the delegates to the Constitutional Convention invented the concept of daylight savings time?
5. Who wrote the Preamble to the Constitution?
6. Congress set up a United States Bank in the 1970s, with most of the stock privately owned. Who persuaded Congress to establish the bank?

Answers

1. “Provide for the general welfare” was first used in the U.S. Constitution to describe the powers of Congress to create a national currency and establish a postal system.
2. The Constitution gives Congress the power to “provide for the general welfare” in its granting of specific powers to the federal government. This power is referred to as the “elastic clause.”
3. Thomas Jefferson is credited with the idea of daylight savings time.
4. The Preamble to the Constitution was written by James Madison.
5. Congress is generally responsible for the government’s financial decisions, including the establishment of banks.

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Hardships Created

What about the story the textbooks neglect, the story of how the tax dollars were extracted so that they could be sent to Boss Kelly in Chicago or to Indiana County? In a real sense, the New Deal created special hardships for the "forgotten man." During the 1930s Roosevelt shifted the tax burden from hitting the rich almost exclusively (through income taxes) to hitting mainly middle- and lower-income groups (through excise taxes). In 1929, the income tax only affected the top 2 percent of earners; they paid almost $1.1 billion in income taxes that year. Excise taxes, which were mainly imposed on tobacco, were less than half that, or $539 million. In other words, if you didn't smoke and you were not a corporate officer, what money you earned was yours to keep.

During the 1930s (starting under Hoover and expanded by FDR), a host of new excise taxes were passed on such popular consumer items as alcoholic beverages, movie tickets, telephone calls, bank checks, telegrams, gasoline, cars, car tires, and even grape concentrates. In 1936, after FDR helped raise the top income-tax bracket to 79 percent, the revenue collected from income taxes dropped to $674 million, as rich investors withdrew their capital from taxable investments. The excise taxes, which hit the middle- and lower-income groups with full force, were over $1.3 billion. These new excise taxes, much more than income taxes, were helping fund the New Deal programs. In other words, the "forgotten man" who pumped gas into his car and drove it to a theater to smoke a cigarette and watch a movie paid four new taxes (and one old one) to pay the WPA worker in Chicago to build a bridge and the wheat farmer in Kansas to take his land out of circulation (so that the farmer could then receive a higher price for wheat, which translated into more expensive bread for the "forgotten man").

When we study why the New Deal failed, we cannot ignore the real cost of what Roosevelt did.

Page 6

Original Intent
The Founding Fathers had a vision. They looked upon this country as an experiment that would take man to the pinnacle of governmental fairness to people -- all people. Recognizing that man is flawed, they designed a framework to overcome individual imperfections making the government a compilation of man’s good qualities.

Once before, in the glory days of Greece, something similar had been attempted. Well-versed in ancient history, the men drafting the Constitution worked to avoid the pitfalls of democracy. They took the best of the Greek endeavor -- a government controlled by the people. They tried to avoid the worst -- tyranny of the minority. The design of our Republic was the result of countless discussions about how imperfect human beings could successfully operate a government with compassion and fairness. The document they drafted, along with the Bill of Rights, gave the citizens of the United States a nearly flawless structure of governance.

The Founding Fathers knew that man’s imperfections would make this system fragile. The discussions of the Federalist and Anti-federalist papers pointed out the delicate balance that would be needed for success of the Constitution and the government. However, recognizing human frailties, they placed within the document ways for it to be changed to accommodate circumstances that were unforeseen in their era. Recognizing the need for continuity, the Constitution was deliberately difficult to modify; change would require deliberation and time. A primary focus of the document required a belief in God and a dedication to His principles. Without that, this country would not succeed.

Yet, it is quite apparent to most people that the Founding Fathers would be appalled by the country as it is being run today. The strong foundation of the Constitution is being ignored at all levels of government. The exclusive powers of the three branches have been blurred. Laws are made by judges -- who have not been elected. Regulations by unconstitutional agencies are directing the lives of the citizens. Treaties, agreements and diplomatic ploys subvert the sovereignty of the country, while taxes are growing to support programs which have no constitutional basis or authorization. The basis for our government is ignored as tyranny by the minority has silenced the voice of the majority. People in this country are wondering how this happened.

Like the proverbial frog in cold water, the citizens and elected officials have allowed the heat to be turned up and now find themselves in water that is close to consuming them.

Since its inception, the Constitution has had some minute wanderings. There have always been disagreements about the meaning of clauses, but judges and elected officials struggled to bring the original intent into disputes. People trusted them to do the right thing. For a long time, they did.

It is impossible to say where it began to become a train wreck about to happen. Probably with Lincoln, who chose to ignore the most basic human rights guaranteed by the Constitution. He set a tragic precedent. It has not been the same since and, like a snowball moving downhill, it is growing with alarming proportions. People, who care about our country are well aware that we are nearing a dangerous crisis.

The increasing involvement of the United Nations and the election of politicians whose goal is power and monetary gain will spell the doom of our sovereignty. The cost of election campaigns has created a vacuum of honest capable people who are willing to attempt to gain office. Favors are traded for money. Money is used to finance campaigns. As the world grows smaller, God’s principles have been cast aside while the craving of worldly goods and power has invaded those who wish to seek office.

The Founding Fathers knew our government could not be sustained with Godless people in charge. We needed His guidance through the maze of human imperfections. Today with few exceptions, we are governed by people who are of this world, who are infected with worldliness, and in order to gain control, they are willing to throw away the work done by our Founding Fathers and are willing to ignore the blood shed by patriots for their freedoms.

They profess to be believers in God, but they ignore His words; that is the easy way. They profess to follow the Constitution, but they ignore its mandates for it is easier to ignore it than to amend it.

It is not too late for citizens to change the government. But it takes work to resist the lull of the warmer water as our freedoms are being boiled into oblivion.

_Romelle Winters_
mired in unbridled self-interest. Whereas our forefa-
tthers sought to establish a single national character, a
people so to speak, rent seeking partitions the body
politic into negatively self-interested, self-serving
groups of people, devoid of community, who compete
for special treatment from government. Wishing to
avoid its ever being established in America, Franklin,
Jefferson, Washington and others called for an educated
and enlightened public that the people would recognize
and stop its corruption at the first sight of it:
"[Correct principles] ought to be instilled into the minds of our youth on their first opening. The boys of the rising generation are to be the men of the
next and the sole guardians of the principles we de-
vere in sacrificing the rights of one part of the empire
to the inordinate desires of another; but deal out to all
members of government for a free and happy people. The object was
not, as C.J. Lewis would say, "men without chests". In framing a new government, they set their sights upon a government for a free and happy people. The object was not to re-engineer man to make him fit the new
government, but to design a system that would fit with man's
goals of individual happiness and self-realization. The new
government would be based upon sound economic
principles, recognize the light and dark sides of human
nature, and emphasize man's positive attributes. In this
respect, they relied heavily upon parents to raise their
children properly and to render them a good upbring-
ing. One that emphasized ethics and the virtue: "We have
staked the future of all of our political institu-
tions upon the capacity of each and all of us to sus-
tain ourselves according to the Ten Commandments
of God."
With this as their foundation, they sought to instill a
positive sense of self-interest among the people, to pro-
vide an environment that would inspire their creative
natures and call forth their entrepreneurial spirit.
Hence, the Framers' out-of-the-box plan of government
recognized the merits of incentive and reward, it pro-
tected private property rights, and it limited the coer-
cive power of government by prohibiting it from doing
that which an individual could not do without commit-
ting a crime. The Framers' plan afforded the people the
freedom to try, the freedom to fail and the freedom to
try again.
In other words, rent seeking would not have seen the
light of day, under their watch. They would have seen it for
what it is, socialism: "The whole art of government
consists in the art of being honest... No longer perse-
nate in the election of wise, virtuous and morally
most to promote its virtue, and who, so far as his
manners are universally corrupt. He therefore is the
most promising method of securing a virtuous
political process to rigorous analysis, the public
choice theory is that after several decades of assault led by the
Keynesian camp, constitutional government has at
long last found an ally: "Constitutional economics
constitutions are blue-
prints, the patterns of underlying constraints which are
certainly designed to restrain rent seeking
activities of political actors, and in so doing pro-
tects the freedom and property rights of taxpayers
and voters."
Public choice theory could well become the Achilles
heel of rent seeking politics in the way it challenges
the economic impact of government working outside
its constitutional jurisdiction. It provides the hope
that politicians will be made to legitimately answer

The Foundation for Economic Education

Constitutional Gems

Donald Conkle

"The most promising method of securing a virtuous
and morally stable people is to elect virtuous lead-
ers," of this principle Samuel Adams said: "But nei-	her the wisest constitution nor the wisest laws will
secure the liberty and happiness of a people whose
members are universally corrupt. He therefore is the
trust friend to the liberty of his country who tries best
to promote its virtue, and who, so far as his
power and influence extend, will not suffer a man to
be chosen into any office of power and trust who is
not a wise and virtuous man (or woman)."

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The Freeman: Ideas on Liberty

The people too would
have straightaway rejected it; recall, they had booted
paternalistic government back across the pond, in
1776, a mere decade or so earlier.

Hope for the Republic:
The Public Choice Revolution

Economist James Buchanan, a 1986 Alfred Nobel
Prize winner in Economics and a key figure in
the public choice revolution refers to this camp of
economists as “politics without [the] romance.” As
one might expect, public choice theory has not met
the favor of those preferring big government. No
doubt because public choice theory “...subjects the
political process to rigorous analysis, the public
choice has been able to make a strong case for
imposing strict limits on the size and scope of gov-
ernment. Furthermore, public choice provides a
compelling explanation of why it is so important to
execute such a case. If the public choice understand-
ing of government becomes generally accepted,
then it will once again be possible for the people to
take control government instead of being controlled
by government.”

Indeed, the public choice revolution provides the
hope that one day American government will more
nately resemble the one we inherited from our 18th
century forebears. Economist, Dwight Lee is optimis-
tic that the anarchists who currently control Amer-
ica’s political processes will, using public choice in-
sight, be exposed. His objective is to help all Ameri-
cans logically see: “that in the political realm it costs
less to act in accordance with their ideas of what is
right and proper...” And, that “If we can once again
regain a prevailing ideological commitment to the
classical liberal ideal of limited government, this
commitment is sure to translate into a government
that is smaller and more effectively restrained than
the one we have today.”

But the truly exciting aspect of public choice the-
ory is that after several decades of assault led by the
Keynesian camp, constitutional government has at
long last found an ally: "Constitutional economics
constitutions are blue-
prints, the patterns of underlying constraints which are
certainly designed to restrain rent seeking
activities of political actors, and in so doing pro-
tects the freedom and property rights of taxpayers
and voters."

Public choice theory could well become the Achilles
heel of rent seeking politics in the way it challenges
the economic impact of government working outside
its constitutional jurisdiction. It provides the hope
that politicians will be made to legitimately answer

The question:
"Under what authority...?"

Dianne Gilbert

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4) Alexander Hamilton—New York Historical Society
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Government, James Montanari, p.5
Buchanan Jr.
9) rent seeking and the Corruption of Republican Government, James Montan-
ari, p.51
10) Thomas Jefferson, Notes 1782-1800, p.180
11) James Madison
12) A Summary View of the Rights of British America – 1774 – Thomas Jefferson
13) Public Choice, The Rent-Seeking Society, 1988, Dwight R. Lee
14) Ibid
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