A Maverick's Defense of Freedom

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SELECTED WRITINGS AND SPEECHES OF

Benjamin A. Rogge

Edited and with an Introduction by Dwight R. Lee

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The cuneiform inscription that serves as our logo and as the design motif for our endpapers is the earliest-known written appearance of the word "freedom" (*amagi*), or "liberty." It is taken from a clay document written about 2300 B.C. in the Sumerian city-state of Lagash.

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Liberty Fund, Inc.
8335 Allison Pointe Trail, Suite 300
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INTRODUCTION

Benjamin Rogge was indeed an intellectual maverick. Defending freedom with Rogge's power and persuasiveness automatically made him a maverick, given the intellectual climate of his day. During almost the entirety of Rogge's career as an economist, most intellectuals were skeptical of individual liberty and free markets and enamored with more government controls over people and the economy. Rogge would be much less a maverick today, especially among economists, in large measure because his influence and the influence of a few of his contemporary intellectual mavericks have made his views far more mainstream than they were during his lifetime. Rogge used his enthusiasm, persuasiveness, and keen economic understanding to relentlessly, and effectively, communicate the classical liberal principles of individual liberty, free markets, and limited government to an audience that never ceased to expand during his career.

As will be clear from some of the following chapters, Rogge was quite a good economic prognosticator, even though he was quick to point out that neither he nor any other economist had special powers to divine the future. But his most general forecast appears to be one he badly missed (though he wisely failed to specify the timing), although he would be happy to know he missed it. Rogge was pessimistic about the survival of capitalism for reasons he acknowledged came largely from the insights of one of his favorite economists, Joseph Schumpeter. For someone with the depth of understanding he had into how capitalism bestowed unmatched measures of prosperity, dignity, and liberty on those fortunate enough to live in capitalistic economies, it would have been easy to understand if Rogge had become confrontational and bitter, surrounded as he was in the academy by those who were some of the greatest beneficiaries of capitalism and its most vociferous critics. But he appears to have had no tendency toward confrontation and bitterness. Rogge coupled a wonderful sense of humor with confidence in his arguments and genuine regard for others that allowed him to separate his evaluation of an argument from his evaluation of the person making it.

Rogge's humor cannot be described; it can only be experienced. And one of the joys of organizing the writings in this volume has been experiencing that humor. Even critics of capitalism must have found it difficult to resist being charmed, and at least temporarily disarmed, by someone who started off a talk by predicting that the audience will soon be wanting to ask him, "Rogge, just what kind of nut are you?" and then defended himself by claiming that he was really a "Kiwanis Club–type conformist" whose "only attention-drawing eccentricity has been a tendency to give [him]self all putts under five feet." But Rogge's humor never distracted from the seriousness of his purpose or the intellectual depth of his arguments.

Rogge possessed a modesty that, while different from the intellectual arrogance that so often drives a wedge between academics and their audiences, was in harmony with the authority of his words. His arguments were clear and forceful without being dogmatic, and he could disagree with others without being disagreeable. As Richard O. Ristine, a former lieutenant-governor of Indiana, said at Rogge's memorial service on November 20, 1980, "He seldom criticized another person—though he might criticize that other person's ideas." Rogge's persuasiveness was based on his humor, civility, and ability to communicate his depth of understanding in straightforward language.

The contrast here between Rogge and many economists (and academics in general) is instructive. When supporting a proposition alien to most in their audience, economists tend to present it in the most controversial way possible—to state the conclusion in a way designed to shock, if not repel, the audience and convince them, at least initially, to reject it as completely wrongheaded. At this point most economists attempt to show how clever they are by employing complicated diagrams and mathematics to show that they are correct and the audience is wrong. Rogge's approach was more modest and gentle, and far more effective. Rogge treated his audience with respect by recognizing how reasonable people could hold views opposed to his and sprinkled his arguments with humorous observations and relevant examples to illustrate and soften the logic being used instead of using it as a club to bludgeon skeptics into submission.

Rogge could have made theoretical contributions to economics, but he didn't. But as all good economists know, great talent in one activity doesn't mean that one has a comparative advantage in that direction since one's talent in another activity may be even greater. Rogge obviously knew the theory of comparative advantage. That was easy. But he also knew and accepted what his own comparative advantage was, something many have difficulty figuring out and accepting. In a 1965 memorandum to the members of a committee on the Principles of Freedom (which, in addition to Rogge, included such economists as F. A. Hayek and Milton Friedman[1]), Rogge stated that if he had "any special talent, it is taking the materials of economics and making them more or less interesting and more or less meaningful to non-economists and to people who have no strong passion for economics." His comparative advantage in communicating economics was indeed a special talent, and a talent he used to full effect as a great writer, a popular speaker, and a beloved teacher. We should never overlook, however, the fact that Rogge was a teacher, and it was a calling he took very seriously. As his son, Ben Rogge, Jr., told me, "he was voted teacher of the year by the students several times. Students from all disciplines took his classes, and he usually had more student advisees than any other professor at Wabash."

In addition to Rogge's other activities, he was a valued advisor to important institutions and people. This is evidenced by his service on the boards of both nonprofit and for-profit organizations—organizations such as the Foundation for Economic Education, Lafayette Life Insurance Company, and Earhart-Relm Foundation. Also he was a longtime friend and advisor to Pierre Goodrich, the founder of Liberty Fund. Given his many impressive accomplishments, Goodrich clearly knew

1. Ben Rogge and Milton Friedman collaborated on the film *The Incredible Bread Machine,* which has been widely used in classrooms and other educational settings. Rogge narrated the film.

how to identify extraordinary people who could contribute to the practical and intellectual goals that meant so much to him. Rogge clearly satisfied this requirement. According to Dane Starbuck, "If anyone understood the mind and had the ear of Pierre F. Goodrich, it was Benjamin Arnold Rogge. Through their mutual attachments to Wabash College, Rogge and Goodrich established a close intellectual and personal friendship that lasted nearly thirty years."[2] Starbuck continues, "The thread that tied them together was the passion they shared for free-market ideas and their desire to see those ideas spread at Wabash and beyond."[3]

This "thread that tied them together" was durable because Rogge and Goodrich had complementary skills that amplified the effectiveness of each at spreading free-market ideas. Goodrich provided organizational skills and financial assets that created Liberty Fund and funded some of Rogge's travels for speaking and teaching, both of which served to expand Rogge's audience. Rogge's skills enhanced the effectiveness of Goodrich in less direct and obvious ways; yet Rogge clearly used his writing skill to amplify Goodrich's voice in their joint articles and through editing some of Goodrich's writing. And many of Rogge's ideas on intellectual issues, and likely even on organizational matters related to the formation of Liberty Fund, probably influenced Goodrich's decisions in important ways, although evidence on the particulars of this influence would be difficult to separate from the influence exerted by many of the impressive people with whom Goodrich consulted.

It would seem rather improbable that Rogge would become an economist with a passion for spreading free-market ideas given the prevailing views in economics when he received his formal education. He received his undergraduate degree in economics in 1940 from Hastings College in Nebraska while still a teenager—having skipped two grades in elementary school—and worked his way through college. So his undergraduate studies occurred during the Great Depression, when Keynesian skepticism toward market economies and their ability

2. Dane Starbuck, *The Goodriches: An American Family* (Indianapolis: Liberty Fund, 2001), 334.

3. Ibid., 335.

to sustain prosperity was beginning to infiltrate the economics profession. This skepticism had probably, at least to some degree, reached Hastings College during his time there. After serving during World War II as a captain and navigator in the United States Army Air Corps, Rogge earned a master's degree in economics from the University of Nebraska, began doctoral study in economics at the University of Minnesota, and taught as an instructor during 1946–47. Keynesianism, with its emphasis on encouraging consumption, was clearly dominant in most economics departments in the United States by this time, and in few places more so than at the University of Minnesota, where Walter Heller, a leading Keynesian who went on to serve as the chairman of the Council of Economic Advisors under presidents Kennedy and Johnson, was teaching in 1946. And no one can believe that the writings of Adam Smith received anything close to the attention as those of John Maynard Keynes in the economics department at Northwestern University, from which Rogge ultimately received his Ph.D. in economics in 1953.

As a student, Rogge may have been influenced by some of the relatively few classical liberal economists who remained in the academy, or maybe growing up in the poverty of rural Nebraska during the depression, he learned some harsh economic realities—such as that wealth has to be produced before it can be consumed—that immunized him from notions of spending as the key to prosperity. But Rogge's earliest writings show that he had the intellectual fortitude to stand up to the dominant views in economics with a deep understanding of the classical liberal principles that he believed provided the necessary foundation for economic prosperity and individual liberty.

From the early 1950s until his death in November 1980, Rogge wrote an impressive amount. Many of his numerous writings, however, have never been published, primarily because they were written as speeches, and many writings that *were* published are widely scattered over a variety of outlets and are no longer easily found. I believe that these writings are worth bringing together in a volume, making them conveniently available to the many people, including professional economists, who can benefit from Rogge's economic insights while enjoying the charm and humor with which those insights are communicated. It is this belief that motivated this volume.

The works in this volume were probably written between December 1951 and shortly before Rogge's death (some of the pieces have been impossible to date, however). They have been organized into six parts (with part 3 further divided into five sections), with the readings in each part (and section) connected by a common theme. Some of the readings are short editorials; others are longer articles or talks; and it is not clear whether some were written as talks, articles, or both. Some are concerned with particular issues of the day, and others will seem more general with respect to time. But even when Rogge is considering issues that seem more relevant to, say, the late 1970s than to current concerns (inflation, for example), his insights are more timeless than we might think. From at least Adam Smith to the present, the enduring insights of political economists have resulted from their interest in contemporary concerns, with those concerns continually reappearing in only slightly different guises.

In Part 1 ("Individual Liberty, Responsibility, and the Morality of the Market"), Rogge discusses individual liberty and responsibility, which form the foundation of his economic understanding. The first three chapters are speeches that Rogge gave to business and professional groups in the early 1960s. The first chapter is titled "The Case for Economic Freedom," the second "The New Conservatism," and the third, a previously untitled speech, I have called "The Only Economic System Consistent with Freedom and Responsibility." In these chapters Rogge considers the case for individual liberty and responsibility in maintaining the free-market economy; examines the fundamental difference between conservatism, what has become known as liberalism, and classical liberalism; and considers the risks associated with discarding the principles of classical liberalism, even to those who currently believe they are benefiting from doing so. The next chapter, "Intellectuals' Curse of Capitalism," is an editorial in which Rogge explains the tendency for intellectuals to criticize capitalism. In the fifth chapter, he discusses the importance of private colleges like Wabash, and private organizations in general, as bulwarks against the centralizing tendencies of government. The next two chapters are talks, the first one honoring Leonard Read, the founder of the Foundation for Economic Education (FEE), and the second pondering the future of FEE once the leadership of Read is over. These chapters provide another glimpse into Rogge's core beliefs and what he sees as crucial in the struggle for liberty. In the next chapter Rogge asks what actions government can legitimately perform and points out that he is not in total agreement with Adam Smith on this question. In the last chapter in Part 1, he examines the arguments that government is necessary to prevent private monopolies from controlling the economy while considering the question "Is economic freedom possible?"

Part 2 ("The Role of Economists") is fairly short, but some economists may think it is not short enough. No one can accuse Rogge of being unenthusiastic about economics, but neither can anyone accuse him of not having an independent mind. In these chapters, Rogge considers, among other things, just how useful economists are at either undermining or promoting free enterprise. Even if economists are important, maybe they are not as important as they think they are. In the first chapter in this part, which is undated and untitled (I have titled it "What Economists Can and Cannot Do"), Rogge gives his views on the limits to what economists do and provides an interesting response to those who think that conservative economists can help promote the ideals of capitalism. The next chapter, "When to See Your Economist," is an insightful and entertaining follow-up to the previous chapter. The chapter "Economists as Freedom Fighters" (my title) is a chapel talk that Rogge gave at Wabash College in March 1952 in which he puts forth an interesting perspective on defending freedom. The final chapter in this part is a 1976 editorial that discusses the views of an economist who could be considered an effective freedom fighter—Adam Smith.

The longest segment of the collection is Part 3, which contains chapters dealing with Rogge's views on a variety of educational issues and concerns, particularly as they relate to a free society. Instead of previewing each chapter in this part of the book, I shall provide a brief overview of each section. The first section ("Education in a Free Society") contains three chapters in which Rogge presents his views on the role of education in a free society and how much independence education should have from government (this in a chapter, also called "Education in a Free Society," coauthored with Pierre Goodrich); on what should be meant by academic freedom and ideological balance in education; and on what a college or university can realistically promise to students. This last chapter is a 1960 statement to the Wabash College faculty and administration produced by a committee of four administrators and professors from Wabash (deans Rogge and Moore, and professors Dean and McKinney), but the statement was clearly drafted by Rogge, who was the chairman of the committee. The second section ("Financing and Administering Higher Education") contains four short chapters: two on Rogge's views on how higher education should be financed; one on the issue of tenure for professors; and the last on who should have control over how a college or university is run. In the third section ("The Role of the Student") Rogge covers a number of topics relating to the responsibility of students in acquiring an education. These topics include hazing in fraternities and standing up for what you believe is right; to what degree undergraduates are prepared to understand classical liberalism; what college students can realistically expect to do with a college degree; and the importance of the average, as opposed to the honor, student in the educational process, and the positive-sum nature of academic competition.

In the fourth section ("The Role of Businesspeople and Intellectuals") Rogge shifts his attention away from students. The four chapters here consider the connection between businesspeople and academics; the effectiveness of businesspeople at defending capitalism; the idiosyncrasies of college professors; and the struggle among academics to influence young minds in the ongoing battle to preserve liberty. The final section ("Economic Education") contains two short chapters, the first of which discusses the difference between economists and the general public in their view on free markets, with an emphasis on understanding the moral as well as the productivity implications of markets. The even shorter second chapter consists of Rogge's comments on two papers on economic education at the 1956 American Economic Association meetings.

Part 4 ("Microeconomics, Labor Issues, and Political Foibles") moves more directly into consideration of public policy, beginning with "The Myth of Monopoly," which deals with the difference between competition and monopoly as discussed in textbooks and as they are found in the real world, with a discussion of the implications for antitrust policy. This is followed by a related and very short chapter, "Putty in the Hands of the Image-Makers," which considers the power of advertising to manipulate consumers. Next, in "Debating the Gold Standard," Rogge looks at an activity popular among economists for decades. Turning to labor issues in the fourth chapter in this part, "Job Creation . . . Whose Job Is It?" Rogge discusses the common concern that there are not enough jobs, and how this concern can lead to government policies on labor markets that are contrary to the expressed objectives of those policies. The concern with labor policy continues with a chapter on labor policy, "People, Problems, and Progress," that examines policy attempts to increase the compensation of labor. The next two chapters, "Union Wage Hike: An Economic Yes and No" and "Barriers on the Road to Employment," continue considering the effects of government policies that are widely believed to benefit workers. Changing the emphasis, but maintaining some attention to labor markets, in the next chapter, Rogge examines race in the marketplace in "Racial Discrimination and the Market Place." This is followed by a related chapter, "The Welfare State against the Negro," dealing with the effects of various public policies, justified in the name of compassion, on the well-being of racial minorities. Of interest here is that these last two articles were part of a larger body of work that Rogge shared with a young economist named Thomas Sowell. In an interview in the *Wall Street Journal,* Sowell gives Rogge's "fundamental idea that you could apply economics to racial issues" credit for inspiring much of his work on race and economics.[4] The role of the market in motivating workers is the issue examined in the next chapter, "Motivation and the Cost Squeeze," a talk Rogge gave to a group containing personnel experts and industrial psychologists—professionals who Rogge explains tend to have views on motivating workers different from those of economists. A short chapter follows on a connection that Rogge describes as "of turnips and energy scarcity." Another short chapter, "Yes, America, There Is an Energy Problem, But . . .", follows with more on energy problems.

Part 5 ("Macroeconomics: Policies and Forecasts") contains six chapters that deal with macroeconomic concerns that assumed critical importance in the last decade of Rogge's life and with some of the economic forecasts he made during that period with those concerns in mind. It would be a mistake to conclude that because the subjects

4. Jason L. Riley, "Classy Economist: The Weekend Interview with Thomas Sowell," *Wall Street Journal,* March 25, 2006.

highlighted in these chapters no longer dominate the economic news they have ceased to be threats to our future prosperity and freedoms. In the opening chapter, “Keynesian Policy,” Rogge critiques some of the views on macroeconomic policy that dominated the economic profession in the 1950s. The second chapter, “Economics—Some Relationships of Theory and Practice,” is a review of three books. In the last four chapters in Part 5, Rogge continues discussing macroeconomics principles and policies in a way that reflects the increasing sophistication of the profession’s critique of Keynesian analysis through the 1970s. In these chapters Rogge ventures into economic forecasting and shows that he had quite a clear crystal ball, at least for the near term. In “The Outlook for the American Economy,” based on a talk Rogge gave in December 1970, two contradictory views on macro stabilization policy are discussed, with a forecast following. The next chapter, “Misconceptions of the Cause and Cure of Inflation,” is based on an untitled talk Rogge gave in June 1974 that begins with a forecast that would have been dismissed as impossible by many Keynesians of the day. In another untitled talk delivered in January 1977, which I have titled “Political Incentives and Continued Inflation,” Rogge makes some remarkable forecasts of what inflation and interest rates will be at the end of the 1970s, forecasts even more remarkable given how outrageous they seemed when he made them. In the last chapter in this part, “The Political Economy of Inflation,” Rogge sees continued inflation over a longer interval than he predicted before. What he didn’t see was the appointment of Paul Volcker as chairman of the Federal Reserve System or the election of Ronald Reagan. The chapter contains a clever hypothetical discussion between President Carter and his advisors on inflation that rather accurately illustrates the political incentives that exist anytime a fight against inflation is considered.

Part 6 (“Foreign Policy and Economic Development”) concludes the volume with five chapters, two on foreign policy and three on economic development. The Vietnam War is now more a memory (if even that, for many) than a pressing issue. But in the chapter “Should the United States Be in Vietnam?” written in 1969, Rogge makes an argument that unfortunately remains, and will remain, relevant to our conduct of foreign affairs, and that is deeply rooted in the same principles of freedom and responsibility that formed the foundation of his economic analysis. The next chapter, "East-West Trade," was written in 1967 and examines the issue of trade with the then Soviet Union, or with any collectivist country that is our enemy. This is very much a foreign policy issue, but one that Rogge considers from his perspective as a political economist. The first of the three chapters on economic development ("A Letter from São Paulo: They've Got an Awful Lot of Rogges in Brazil") is a short humorous piece Rogge wrote while on sabbatical in Brazil that touches on economic development and was intended for the Wabash College community. The second economic-development chapter (which I have titled "Haste Makes Waste in Economic Development") is excerpted from an untitled talk that Rogge gave to the Inland Steel Academy in May 1958. In this chapter Rogge draws on his experience in Brazil to consider why underdeveloped countries have so much difficulty developing their economies. The last chapter in this part, and in this book, was published in 1955 and is titled "The Role of Government in Latin American Economic Development." In this chapter Rogge takes issue with the overwhelming consensus in the 1950s that saw as necessary more government planning and control of the economies of underdeveloped countries if they were to experience economic growth.

The struggle for freedom with responsibility has been, and continues to be, a long and arduous one. It is Ben Rogge's dedication to the struggle for freedom that this book honors.

I would like to thank Amy Lynch of Liberty Fund for her diligence in finding and organizing copies of Ben Rogge's speeches, articles, and other writings. Without her hard work and competence, this volume would not have been possible. I would also like to acknowledge the Hoover Institute and Wabash College for extensive use of their archives in preparation of this volume. Also, I owe thanks to Marise Melson and Ben Rogge, Jr., for correcting errors and suggesting changes in earlier versions of this introduction, based on their knowledge of not just Ben Rogge the economist but Ben Rogge the father. Finally, I would like to thank my wife, Cindy Crain, for reading the first draft of the introduction and suggesting changes that I did not fully appreciate until I received almost identical suggestions from Marise and Ben.

Dwight R. Lee

Part 1 *Individual Liberty, Responsibility, and the Morality of the Market*

The Case for Economic Freedom

Writing just a few miles from here, Henry David Thoreau, the famous author of *Walden Pond* and other essays, once described government as follows: "Government is an expedient by which men would fain succeed in letting one another alone." Government in 1962 can best be described as an expedient by which one man would fain impose his will on another, preferably at the other man's expense.

Thoreau further said that "government never of itself furthered any enterprise, but by the alacrity with which it got out of its way. Trade and commerce, if they were not made of India rubber, would never manage to bounce over the obstacles which legislators are continually putting in their way; if one were to judge these men [the legislators] wholly by the effects of their actions, they would deserve to be classed and punished with those mischievous persons who put obstructions on the railroads."

Walden Pond is now a suburban development, and Thoreau himself just a memory, but the legislators of which he wrote are still with us. They are still with us and every day add to the vast network of intervention and control which now surrounds our economic activities. Why do they do this? Because they are evil, power-hungry men who are determined to subvert the American way of life? Emphatically no;

Speech presented to the Associate Industries of Massachusetts, October 25, 1962. Reprinted by permission of the Rogge estate.

they do this because we ask them to, because we insist that they do this if they wish to be re-elected.

We are moving away from the traditional system of free and private enterprise because, as a people, we no longer accept its fundamental premises. For example, we do not seem to believe that each man is the best judge of what is in his own interest. On the contrary, we believe that he must be guided, protected, encouraged, discouraged, manipulated, and maneuvered. The accepted approach is beautifully illustrated by the complaint against the television industry of Newton Minow, chairman of the Federal Communications Commission. His complaint is that the television industry is giving the viewers what they (the viewers) want.

Again, we do not believe that each man in pursuing his own self-interest is led as if by an invisible hand to serve the interests of others. For example, the businessman is urged to forget costs and revenues, to direct his actions not by the goal of maximizing profits but by the never-defined concept of "social responsibility." If you believe in the free market, as I do, you believe that the only social responsibility of the businessman as such is to make money for his stockholders. You believe that if a businessman wished not to make money but only to serve society, he could still have no better goal than maximum profits. If you don't believe this, you don't really believe in free private enterprise.

These and other premises of the system seem no longer to be accepted by the majority of Americans. Why is this the case? In part because the workings of the system are subtle and complex, and a majority of Americans never has and never will fully understand why and how the system works. But if Americans in the past did not fully understand the system, why did they still accept it and generally ask their legislators to let it alone? Because in the main the system seemed to be consistent with certain principles ("moral" principles) held by a good part of the American society.

Let me illustrate: the doctrine of man held in general in nineteenth-century America argued that each man was ultimately responsible for what happened to him, for his own salvation, both in the here and now and in the hereafter. Thus, whether a man prospered or failed in economic life was each man's individual responsibility; each man had a right to the rewards for success and, in the same sense, deserved the