

Andrew P Morriss, 'Does the Internet Prove the Need for Government Investment?' *The Freeman*, November 1998.

It is often claimed that the origin of the Internet as ARPANET in the US Department of Defence (DOD) demonstrates the leading role of government in seeding innovations which later become economically viable. But Morriss describes how the worldwide spread of the Internet has been achieved despite government disinterest and formidable obstacles arising from government regulations.

The early DOD-funded research did little to promote advances because the reports were locked away for years. Moreover, some of the most significant work was not part of the research contracts but was done by enthusiastic researchers who 'followed their noses' with vital developments.

Bureaucratic controls slowed progress in ARPANET. No commercial use was permitted on the network. Censorship was pervasive (and perverse). Outside DOD, in the real world, the early private network Telenet found communications companies such as Western Union ready to spend millions in legal battles to try to keep the newcomer out of business.

Morriss concedes that the research and network experience gained in ARPANET helped thousands of computer scientists get started, but the real progress and development occurred in the mix of public and private services that evolved by 1995. The drawbacks of the government network and state interference prompted outsiders to develop ways to outwit government attempts at control and censorship. Consequently the explosive evolution of the Net is a prime example of a spontaneous ordering process, where individuals who follow their own interests unwittingly benefit countless others around the world.

Sheldon Richman, 'Service Without a Smile', *The Freeman*, November 1998

The Maryland Board of Education requires students to perform 75 hours of community service before they can graduate from high school. Apparently many students are meeting the letter but not the spirit of the law. They look for quick and painless activities, or demand credit for babysitting, mowing neighbours' lawns or putting out the rubbish. Richman questions whether we should be surprised that coercive public service does not make community-minded citizens. Defenders of the scheme hope the service program will allow students to do 'meaningful work that produces tangible results, such as feeding the hungry or homeless, or bringing comfort to the

elderly'.

Richman argues that the scheme is perverse because the opportunities to do such work are always there. The real message is the ethic of compulsion – 'through force (from the State) all good things can be achieved.

No one seems much interested in how institutional coercion misshapes character'.

Why not allow students to start small businesses to fulfill the requirement, and learn something about the operation of the marketplace? No way! No compensation is permitted. A boy was not allowed to count his time with the scouts because he received compensation – merit badges!

<http://www.newaus.com.au> is an

Australian free market site with a strong line in 'Austrian' analysis. The authors confidently specify areas of weakness and policy failure that should have been apparent to commentators if they had not been blinded by defective theories, especially lingering Keynesian ideas.

To get Keynes in perspective they compare the trajectories of two major American crashes. First the crash of 1921, when the 1919-20 boom was replaced by a bust, with prices falling over 50 per cent in a year. As wages adjusted under fairly free market conditions, average non-farm wages fell about 10 per cent on average while unemployment rose from 2 per cent to 12 per cent. Then, over another year, output returned to normal and unemployment retreated to 2 per cent. During the next crash, Hoover boasted that government and business were working together to maintain wages while prices collapsed and profits fell towards zero. Unemployment rose steadily, then Roosevelt came to power, blamed free markets for unemployment and worked harder to maintain wages and public spending. Unemployment continued to rise, reaching unprecedented levels for several years.

Our local 'Austrians' examine the debacles of Russia and Asia in the light of Austrian theory on the business cycle. Too much money results in a boom with some money ending up in bad investments. These must be corrected during the ensuing bust, but if the lenders have government support, bad investments are not corrected and continue to block growth. As noted in a previous Roundup, in Japan the relationship between business and government is so close that it has so far been impossible to impose the full pain of adjustment. Hence a decade of stagnation, with great damage to the whole region. Of course the full Austrian analysis is more sophisticated than that, using distinctive theories on the relationships between savings, investment and interest rates, and also taking account of the time factor as changes flow through the system.

