

# THE Ayn Rand LETTER®

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## IDEAS V. MEN

In my Letter of February 25, 1974, under the title "Ideas v. Goods," I discussed a Time magazine story about a lecture by Professor Ronald H. Coase, advocating government control of the press. Thereafter, I received several interesting letters on the subject. They may be summarized by two representative excerpts:

Declaring that I have made "a disastrous error," one letter says: "The error consisted in trusting the veracity of Time's account of the talk...Time's account was disgracefully inaccurate, and in fact represented Coase's thesis as having been precisely the opposite of what it was."

The other letter says: "Your article on Coase was brilliant....I have the text of his speech - it is far more evil than the Time summary."

This great a difference of opinion about the same story, was intriguing. So I read the full text of Mr. Coase's lecture, which was published in the May 1974 issue of The American Economic Review, under the title "The Market for Goods and the Market for Ideas." The lecture was originally delivered at a meeting of the American Economic Association, as part of a discussion devoted to "The Economics of the First Amendment."

Of the two letters I quoted, the second one is right. If the Time summary erred at all, it erred on the side of kindness to Mr. Coase: it imparted dignity to his lecture by presenting it as if it were the forthright advocacy of a specific viewpoint. But it wasn't. The reporter got the message, however; what he omitted was the deviousness of the form.

Mr. Coase did not say that he favors government control of the press. He structured his talk in the form of a question mark, as if he were merely presenting an issue raised by others, to be mulled over and resolved by others - while his part was confined to piling up the kind of evidence that could lead to only one conclusion: the one reached by the Time reporter.

Mr. Coase states his thesis as follows: "What is the general view that I will be examining? It is that, in the market for goods, government regulation is desirable whereas, in the market for ideas, government regulation is undesirable and should be strictly limited." He challenges this "ambivalence" and states (later): "I do not believe that this distinction between the market for goods and the market for ideas is valid. There is no fundamental difference between these two markets and, in deciding on public policy with regard to them, we need to



take into account the same considerations."

If this is his thesis, how does Mr. Coase proceed to discuss it? Presumably for the sake of argument, he accepts all the arguments advocating government regulation of the market for goods, or he takes such arguments as an unchallenged given, and applies them to the market for ideas. Does he do it facetiously? No, in dead earnest. Does he reduce those arguments to absurdity? No, he makes them sound plausibly and easily applicable to the market for ideas. Does he use that method to dramatize the impracticality or the evil of government regulation? No, he suggests that such regulation would be more desirable in the market for ideas than in the market for goods.

Mr. Coase begins his attack on the dichotomy, not by defending the market for goods, but by denouncing "the peculiar status of the market for ideas." He seems to regard the importance which men attach to the freedom of the mind as inexplicable, and seeks for an explanation. He quotes from an article by Aaron Director, who quotes a statement by Justice William O. Douglas in a Supreme Court opinion: "free speech, free press, free exercise of religion are placed separate and apart; they are above and beyond the police power; they are not subject to regulation in the manner of factories, slums, apartment houses, production of oil and the like." Mr. Coase's own comment on this quotation is: "a statement which is no doubt intended as an interpretation of the First Amendment, but which obviously embodies a point of view not dependent on constitutional considerations." (!?)

"Director remarks of the attachment to free speech that it is 'the only area where laissez-faire is still respectable.' Why should this be so? In part, this may be due to the fact that belief in a free market in ideas does not have the same roots as belief in the value of free trade in goods. To quote Director again: 'The free market as a desirable method of organizing the intellectual life of the community was urged long before it was advocated as a desirable method of organizing its economic life. The advantage of free exchange of ideas was recognized before that of the voluntary exchange of goods and services in competitive markets.'" Mr. Coase seems to regard this as a historical accident or a matter of tradition. He does not see or mention the fact that the demand for freedom of ideas had to precede freedom of trade, that without the heroic struggle of those who fought for a free market in ideas, no such thing as a free market in goods would or could have been discovered.

That he does not see it, is indicated in his next paragraph: "For most people in most countries (and perhaps in all countries), the provision of food, clothing, and shelter is a good deal more important than the provision of the 'right ideas,' even if it is assumed that we know what they are." Obviously, Mr. Coase does not know and does not care to know what they are - nor does he care to observe that the food, clothing and shelter of most people in all countries depend on certain philosophical ideas and vanish when those ideas vanish. It is not on the basis of Time's alleged "inaccuracy" that I accuse the conservatives of anti-intellectuality.

"...the difference in view about the role of government in these two markets," Mr. Coase goes on, "is really quite extraordinary and demands an explanation. It is not enough merely to say that the government should be excluded from a sphere of activity because it is vital to the functioning of our society....The paradox is that government intervention which is so harmful in the one sphere becomes beneficial in the other....What is the explanation for the paradox?"

And now, his manner implying the approach of the new, the startling, the daringly original ("Director's gentle nature does not allow him to do more than



hint at it...I would put the point more bluntly"), Mr. Coase reveals the notion he regards as sufficiently explanatory: "The market for ideas is the market in which the intellectual conducts his trade. The explanation of the paradox is self-interest and self-esteem. Self-esteem leads the intellectuals to magnify the importance of their own market. That others should be regulated seems natural, particularly as many of the intellectuals see themselves as doing the regulating. But self-interest combines with self-esteem to ensure that, while others are regulated, regulation should not apply to them. And so it is possible to live with these contradictory views about the role of government in these two markets. It is the conclusion that matters. It may not be a nice explanation, but I can think of no other for this strange situation."

Observe that an alleged defender of capitalism regards self-interest as a base motive, and uses the word "self-esteem" as a pejorative term.

What follows is columns and columns devoted to denouncing the sins of the American and British press, some of which is true, some too trivial to bother about, all of it held together by an intense hostility and prefaced by the statement: "If we examine the actions and views of the press, they are consistent in only one respect: they are always consistent with the self-interest of the press." (I wish this were true; if it were, New York City would still have eight newspapers, instead of the present three; five of them committed suicide by advocating or compromising with the public policies that killed them.) If the purpose of Mr. Coase's talk was to fight government control of business by showing that the extension of such control to the press would be a calamity, can that purpose be achieved by presenting the press as so irresponsible and unscrupulous that an innocent bystander would begin to wish for government control?

But the issue goes deeper than that. Mr. Coase's hostility is not directed merely at modern journalists: it is directed at man's mind as such and at the mind's demand for freedom. A revolting sequence, which Time generously omitted, begins with: "There has surely never been a more high-minded scholar than John Milton. As his Areopagitica 'for the liberty of unlicensed printing' is probably the most celebrated defense of the doctrine of freedom of the press ever written, it seemed to me that it would be worthwhile to examine the nature of his argument for a free press." He quotes from Milton: "Give me the liberty to know, to utter, and to argue freely according to conscience, above all liberties" - and he quotes a series of other passages from Milton, which are beautiful, eloquent and unanswerable.

Mr. Coase's answer is: "In the formation of Milton's views, self-interest may perhaps have played a part, but there can be little doubt that his argument embodies a good deal of intellectual pride..." There follows Mr. Coase's sarcastic, inaccurate paraphrase of Milton's arguments: "The writer is a learned man, diligent and trustworthy. The licenser [censor] would be ignorant, incompetent, and basely motivated, perhaps 'younger' and 'inferior in judgment.' The common man always chooses truth as against falsehood" - and Mr. Coase's conclusion: "The picture is a little too one-sided to be wholly convincing."

No, Mr. Coase does not say that he favors government regulation of the press. He merely suggests that in all the history of thought, from a great classic on down, no valid argument for a free press has ever been offered.

As to Mr. Coase's view of man and of man's nature: "In all markets, producers have some reasons for being honest and some for being dishonest; consumers have some information but are not fully informed or even able to digest the information they have; regulators commonly wish to do a good job, and though often incompetent and subject to the influence of special interests, they act like this



because, like all of us, they are human beings whose strongest motives are not the highest." (E.g., such low-grade motives as self-interest, self-esteem and intellectual pride.)

In case any listener missed the implications of his foggy statements, Mr. Coase permits himself an explicit one: "My argument is that we should use the same approach for all markets when deciding on public policy. In fact, if we do this and use for the market for ideas the same approach which has commended itself to economists for the market for goods, it is apparent that the case for government intervention in the market for ideas is much stronger than it is, in general, in the market for goods."

To prove this, Mr. Coase lists a number of examples, applying to the market for ideas the arguments used by economists to justify government intervention in the market for goods. He succeeds: granting the unchallenged premises of the arguments, the list is a veritable arsenal for statisticians. E.g.: "Or consider the question of consumer ignorance which is commonly thought to be a justification for government intervention. It is hard to believe that the general public is in a better position to evaluate competing views on economic and social policy than to choose between different kinds of food. [This particular bit of argumentation was picked up and mentioned, without rebuttal, by the three press reports that I have read.] Yet there is support for regulation in the one case but not in the other."

In the concluding paragraph of his lecture, Mr. Coase states that "there remains the question of which policies would be, in fact, the most appropriate. ...I do not believe that we will be able to form a judgment in which we can have any confidence unless we abandon the present ambivalence about the performance of government in the two markets and adopt a more consistent view. We have to decide whether the government is as incompetent as is generally assumed in the market for ideas, in which case we would want to decrease government intervention in the market for goods, or whether it is as efficient as it is generally assumed to be in the market for goods, in which case we would want to increase government regulation in the market for ideas. Of course, one could adopt an intermediate position - a government neither as incompetent and base as assumed in the one market nor as efficient and virtuous as assumed in the other. In this case, we ought to reduce the amount of government regulation in the market for goods and might want to increase government intervention in the market for ideas. I look forward to learning which of these alternative views will be espoused by my colleagues in the economics profession." (Emphasis added.)

Can there be any doubt as to which of these alternative views will be espoused by most of Mr. Coase's colleagues on the basis of his lecture? Men committed to statism will not be stopped by the fear of propounding a logical contradiction; but if they choose to be consistent, they will leap at the opportunity to extend government regulation to the market for ideas - particularly since Mr. Coase has provided them with the ammunition by formulating all the arguments they need, in terms of their own premises.

The tone of the lecture gives the impression that Mr. Coase does not care about the issue one way or the other: it is the tone of a speaker taking pleasure, not in presenting his topic, but in outwitting his audience. The lecture is not an open advocacy: it is a futile threat. It says to the liberals, in effect: If you don't let up on the controls of business, we conservatives will turn the tables on you and introduce government controls of the press. Such escalation of controls has been the policy of conservatives in regard to antitrust laws, labor legislation, the military draft, taxation, the "negative income tax," etc.



Mr. Coase does not seem to understand that the statist liberals would be delighted to let him do their dirty work for them and that they would be first to pounce upon the jobs of censors - as has been the case in every other instance of conservatives trying to cash in on the liberals' premises. Nor does he seem to see that at a time like the present, in the face of statism's triumphant advance, one does not play games, parlor tricks, or rhetorical in-jokes with an issue such as freedom of the press.

If the liberation of the market for goods was Mr. Coase's purpose, why didn't he reverse his method? Why didn't he take the best arguments for the freedom of the market of ideas and demonstrate that they apply to the market of goods? Think of how different the impact of his lecture would have been. But Mr. Coase is contemptuous of the arguments for the freedom of the market of ideas.

It is interesting to note that The Wall Street Journal (January 11, 1974) came to the defense of Mr. Coase against the critique of his lecture in Time magazine. "...it seems to us that Time entirely missed the point of the professor's thesis, which is that there should be no distinction 'between the market for goods and the market for ideas.'" (Time did not miss the thesis: they saw through it.) And: "While we don't subscribe to the professor's undiluted brand of laissez faire [this is in reference to his reputation], and see a usefulness to society in libel laws and pure food and drug acts, we see merit of another sort in the Coase thesis. It's not really a long step to argue that just as consumers need government help in choosing among competing goods, they need assistance in choosing between good ideas and bad. Given the hypothetical situation of a United States that controls every facet of economic life but that of the press, who can doubt that the press too would fall like a feeble domino?" The rest of the piece goes the same way, substituting threats for principles.

By contrast, The New York Times's report on the same lecture was like a breath of fresh air (December 23, 1973). It was written by Leonard Silk, who is, I believe, a liberal. "In a sense, the First Amendment is the finest and perhaps the last flower of the liberal revolutions of the 17th and 18th centuries. Economists, like other intellectuals, cling to it as a defense against tyranny." When I read that paragraph, I felt as if I were emerging from a dank cave where concrete-bound children whimper about the "good" or the "bad" character of government officials, to a hillside where adults are still able to deal with abstractions and to remember the concept "tyranny." It was not an unblemished hillside, there were patches of dangerous fog - such as the contention that newspapermen and broadcasters "still insist upon their unique right to freedom from government regulation" (emphasis added) - but what a relief it was to hear a man say that government controls represent tyranny, and not a matter of efficient or inefficient functioning!

The worst error of the non-totalitarian liberals is their failure to understand that material production depends on man's mind and requires freedom, just as intellectual production does. But, at least, they retain some (implicit) inkling of the existence of a faculty such as the mind - as against the sort of conservatives who propose to save freedom by seeking an explanation for the "incomprehensible" importance which men attach to the freedom of ideas (and finding the explanation in human "imperfections," such as intellectual pride).

This brings us to the common denominator uniting Mr. Coase, The Wall Street Journal, and those readers who wrote to me in defense of Mr. Coase.

As I have pointed out many times, those who discard abstractions and



principles, i.e., philosophy, discard the conceptual level of their consciousness; they confine themselves to the perceptual level, are able to deal only with immediate concretes, and are compelled to substitute men for ideas. Hence the preposterous spectacle of a scholarly economist who, denying the importance of ideas, offers the childish, cracker-barrel notion of conceit and material greed as the motive power of men's struggle for intellectual freedom throughout history; and, denying the relevance of morality to economics, resorts to the crudest kind of conventional morality, takes for granted that self-interest is evil, and presents the issue of government controls as a matter of the personal honesty or dishonesty, the good or bad character of government officials.

The same kind of problem affected the listeners who were taken in by his lecture. They did not focus on the speech, but on the speaker: since he was known as a defender of free enterprise, they assumed that anything he said was in defense of freedom. They listened selectively, in snatches, trusting the superior knowledge of the "leader," hearing only what they wanted to hear, ignoring the rest. This means that they were listening emotionally - and, in this respect, the speech did give them what they wanted: it fed their smoldering hostility toward the liberal-dominated press, and this made them feel certain that they had heard a defense of free enterprise. But emotions are not tools of cognition, and negative emotions less so than any others. It has been said that the enemies of our enemies are not necessarily our friends. But this is an abstract statement, which the unphilosophical mentality can neither grasp nor remember.

There is, however, a valuable lesson in Mr. Coase's lecture for those young people who, being desperately anxious to fight statism, are willing to form a united front with any of its alleged opponents. That lecture might help them to see why there is no way to fight a political or economic battle while by-passing philosophy, why there is no shortcut, no escape from fundamental principles - and why an indiscriminate activism will not merely fail, but will hasten the victory of the enemy.

Ayn Rand

OBJECTIVIST CALENDAR

Starting on October 29, the taped lectures of Dr. Leonard Peikoff's course, Introduction to Logic, will be given in Winnipeg. For further information, contact Ellen Moore, (204) 253-1630.

B.W.