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## The Great Illusion

At present, the greatest problem is the citizen in the clutches of political power. . . .

To think of everything as political, to conceal everything by using this word (with intellectuals taking the cue from Plato and several others), to place everything in the hands of the state, to appeal to the state in all circumstances, to subordinate the problems of the individual to those of the group, to believe that political affairs are on everybody's level and everybody is qualified to deal with them—these factors characterize the politicization of modern man and, as such, comprise a myth. The myth then reveals itself in beliefs and, as a result, easily elicits almost religious fervor. We cannot conceive of society except as directed by a central omnipresent and omnipotent state. What used to be a utopian view of society, with the state playing the role of the brain, not only has been ideologically accepted in the present time but also has been profoundly integrated into the depths of our consciousness. To act in a contrary fashion would place us in radical disagreement with the entire trend of our society, a punishment we cannot possibly accept. We can no longer even conceive of a society in which the political function (on the part of the governmental authority) would be limited by external means: we have arrived at the monistic idea of power that stops power. We can no longer conceive of a society with autonomous “in-between” groups or diverging activities. The primary role of political affairs is one of the common sociological presuppositions shared by all and growing in all countries.

We consider it obvious that everything must be unreservedly subjected to the power of the state; it would seem extraordinary to us if any activity should escape it. The expansion of the state's encroachment upon all affairs is exactly paralleled by our conviction that things *must* be that way. . . . To repeat: it is not just the fact of the state being at the center of our lives that is crucial, but our spontaneous and personal acceptance of it as such. We believe that for the world to be in good order, the state must have all the powers. . . .

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The conviction that the individual's inner conflicts, like the external realization of values, are a collective and social affair and will find their solutions in the political realm is only the mystifying aspect of every man's personal surrender with respect to his own life. Because I am incapable of doing good in my own life, I insist that the state must do it in my place, by proxy. Because I am incapable of discerning the truth, I ask the government to discern it for me; I thus free myself of an onerous task and get my truth ready-made. Because I cannot dispense justice myself, I expect a just organization to exist which I only have to join to safeguard justice. . . .

But, it might be objected, is the politically interested citizen not eager to see power controlled, rather than to see its growth further promoted? This is a great illusion. The more an individual has become politicized, the more he will see and think about all

problems as political problems, the more importance will he attach to political action, and consider it the only possible course and, by his attitude, endow that course with a maximum of power and effectiveness. At the same time, the more politicized he is, the more will he be focused on and oriented toward that basic political force and form: the state. The more he takes recourse to the state, the more power he gives it. . . . At each step, state power is increased. The people under the spell of politics seek less and less to control the state; politicizing everything, they consider it normal that the state should constantly expand its area of action and use ever more instruments of power. This is legitimate in their eyes, as they believe that all will be solved by political action.

—JACQUES ELLUL, *The Political Illusion*  
(Alfred A. Knopf, Inc., 1967)

## Donald J. Boudreaux Elected FEE President

We are pleased to welcome Dr. Donald J. Boudreaux as the new president of the Foundation for Economic Education. Dr. Boudreaux was elected at the Annual Meeting of FEE's Board on May 19, 1997.

At the May meeting we also bade farewell to retiring president Hans F. Sennholz, who did so much to revitalize FEE during his five-year tenure. The Board is grateful for the tireless dedication and service of Dr. Sennholz and his wife, Mary. We hope he will find time during his busy retirement in Pennsylvania to write for *The Freeman*.

Don Boudreaux continues FEE's tradition of excellence and energetic leadership. He earned an M.A. in economics from New York University, a Ph.D. in economics from Auburn University, and a J.D. from the University of Virginia School of Law. He has taught at George Mason University, and, since 1992, at Clemson University, as an associate professor in the Legal Studies Group. He was a John M. Olin Visiting Scholar at Cornell Law School for the 1996 spring term.

Don has an impressive list of scholarly publications, including articles in the *Cato Journal*, *Southern Economic Journal*, *The Independent Review*, and several law reviews. He is a long-time contributor to *The Freeman* and was guest editor of the July 1995 issue. Don's writings have also appeared in the *Wall Street Journal*, the *Washington Times*, *Reason*, *The Free Market*, and many other newspapers and magazines. In addition to his classroom teaching and his writing, he has found time to serve as an associate editor of *The Independent Review*, as book review editor of *Constitutional Political Economy*, and as a lecturer at many seminars for college students and high-school teachers and students.

We are enthusiastic about the future of FEE under Don's capable direction. To learn more about his vision for FEE, please see his inaugural *Notes from FEE* in this month's issue.

—SALLY VON BEHREN  
*Chairman of the Board*

# John Jacob Astor and the Fur Trade: Testing the Role of Government

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by Burton W. Folsom, Jr.

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What was the first industry in U.S. history to receive a federal subsidy? That dubious honor seems to go to the fur trade. If we study the story of the fur trade, we can see why government-supported companies so often fail and why entrepreneurs tend to provide better products at lower costs.

The buying and selling of furs was a major industry in America throughout its early history. The key animal in the fur trade was the beaver, whose pelt made hats that were in style all over Europe in the 1700s. The fur trade was a worldwide enterprise. It linked fashionable women in Paris to New York exporters, to frontier traders, to Indian trappers. The pelts of beavers, muskrats, otters, and minks went one way and kettles, blankets, axes, and muskets went the other.

At first, fur trading in the United States followed established patterns. The French and British had traded with the Indians for more than a century and the Americans

simply picked up where they left off. Trapping methods, river routes, and trading posts were all in place.

The man who confounded the normal development of private enterprise in furs was none other than President George Washington. Washington feared that the many British fur traders along the Canadian border might stir up the Indians, win their loyalties, and thwart U.S. expansion into its own territory.

Private American traders, Washington argued, were too small to compete with larger, more experienced British enterprises. The U.S. government itself was needed to build large trading posts, oust the British, “bring in a small profit, . . . and fix them [the Indians] strongly in our interest.” The Indians especially needed to see evidence of American strength, so Washington recommended that the government build and operate a series of fur factories throughout the American South and West. With Washington’s support, Congress appropriated \$50,000 for the new factories in 1795 and raised it steadily in later years to a total of \$300,000. Such a subsidy was a large expense for a new nation, and one that tested government’s ability to act as an entrepreneur.

Here is how the factory system worked. The government created a bureaucracy—the Office of Indian Affairs—to conduct the fur

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*Professor Folsom is senior fellow in economic education at the Mackinac Center for Public Policy in Midland, Michigan.*

*For readers interested in learning more about Astor and McKenney, the author recommends John Denis Haeger, John Jacob Astor: Business and Finance in the Early Republic (Detroit: Wayne State University Press, 1991); and Herman J. Viola, Thomas L. McKenney: Architect of America’s Early Indian Policy, 1816–1830 (Chicago: Swallow Press, 1974).*