

Just minutes after the earthquake, the Salvation Army was providing food; the Red Cross opened shelters within four hours, while federal bureaucrats were still holding meetings and issuing directives.

Faster than officials could propose tax hikes, donations poured into relief organizations. The Red Cross alone had collected \$46.5 million as of October 31. Those in California who clamored to raise taxes in response to the earthquake should recognize that, aside from the funds needed for road repair (which, like it or not, is a state project), the money would be better spent on private efforts. Concerned Californians could get more bang for their buck by giving to relief groups that do not have large bureaucracies to feed.

While government money will undoubtedly help victims of the earthquake and Hurricane Hugo, much of the spending will be counterproductive. Congress allocated about \$4 billion for relief in the aftermath of the two disasters. Of this, \$2.2 billion goes into a fund that will be spent at FEMA's discretion. The appropriation also includes \$500 million for Small Business Administration disaster loans. A lot of this money will be used for grants and loans to uninsured residents and businesspeople. Such assistance may seem noble, but it undermines the incentive to prepare for future disasters. If you know that the federal government will restore your property, make your home or business whole again, why would you bother to buy insurance or reinforce your house?

Federal aid also raises the question of fairness: Is it right to demand that taxpayers in Butte and Des Moines help to bail out people who choose to live in areas that are vulnerable to earthquakes and hurricanes (especially, say, the well-to-do people south of Broad Street in Charleston)? Take federal flood insurance, which is subsidized by taxpayers to the tune of 25 cents for every dollar in claims. Either this business is inherently unprofitable—unlikely, since the private sector took care of flood insurance until the late '60s—or it simply cannot make money while offering low rates to everyone. In any case, federal flood insurance amounts to an inexplicable income-transfer program.

By disrupting the insurance market,

the government tampers with one of the most effective means for dealing with disasters. In northern California, private insurers plan to pay close to \$1 billion in claims. Just as important is the influence insurance companies can have before disaster strikes, by insisting on safe construction. Had the Nimitz freeway been privately built, you can be sure its insurer would have scrutinized its soundness more closely than the state of California did. Furthermore, in a free market, the cost and availability of insurance discourages people from living in dangerous buildings and locales.

When government competes with private insurers—by controlling a segment of the market or, through relief aid, offering insurance for free—it weakens or destroys these healthy incentives. In their stead, it offers building codes and construction restrictions. South Carolina's Beachfront Management Act, for example, will prevent many oceanside property owners from rebuilding homes and businesses destroyed by the hurricane. These people, along with all the others who have been slapped by government's helping hand, will be forgiven if they do not feel relieved. ■

IN MEMORIAM: BURTON C. GRAY

This magazine lost a very dear friend in October with the untimely death of Burton Gray, at the age of 48.

Burton was a longtime supporter of the Reason Foundation and for the past six years served as one of its trustees. In many ways, he was an ideal trustee. He possessed a deep interest in and understanding of the philosophy of liberty. But he also had extensive business and financial experience and years of experience on nonprofit boards. So he was able to offer advice and counsel on every aspect of the foundation's operations, as well as faithful financial support.

If anyone met the definition of a Renaissance man, it was Burton. A Yale graduate (class of '62), he did graduate work in economics at the University of Chicago. But he was eternally fascinated by mathematics and philosophy, financial markets and technology.

He was a founder and chief financial officer of Scientific Time Sharing, one of the first computer time-sharing firms. He was the first person I knew to travel with a transportable PC—and the first to have software to do fractal geometry.

His reading was voracious and wide-ranging. Among his favorites were *Gödel*, *Escher*, *Bach*; the science fiction of

Robert A. Heinlein; and the works of economist F.A. Hayek and political philosopher Michael Oakeshott.

One of Burton's proudest achievements was serving on the staff of the Gates Commission, which made the case for abolishing the draft. That was his only direct involvement with public policymaking, though he was in regular contact with many of those involved in this arena. His father, Gordon Gray, served as Truman's secretary of the army, and his brother Boyden is White House counsel.

As a lifelong advocate of liberty, Burton was excited by recent developments in Eastern Europe. He visited Poland last year, and he was deeply involved in the efforts of the Sabre Foundation (of which he was president) to arrange large-scale donations of books and farm equipment to people and organizations in Poland.

His family has suggested that memorial gifts may be made to the Reason Foundation or the Sabre Foundation. We are setting up a special Burton Gray memorial fund at the Reason Foundation to foster long-term programs, as he would have wanted.

He will be sorely missed.

—Robert W. Poole, Jr.

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—Nobel Laureate F. A. Hayek,
in a letter to IHS

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LETTERS

Sowing the Seeds of Truth

Karl Zinsmeister's article, "Plowing Under Subsidies" (Oct.), is exactly what is needed if our ridiculous farm program is to be corrected. The nonfarm populace must become educated through articles like his in journals like yours. The farm lobby will never discipline itself; the corrective needs to come from the outside.

*Don Paarlberg
West Lafayette, IN*

The writer is a former assistant secretary of agriculture. —Eds.

MR. ZINSMEISTER'S farm subsidy article in your October issue is the best one on the subject that I have read in a non-farm publication. The government got involved in farming in 1905 with the Agricultural Extension Act and things have been bad for farmers ever since.

It is not the purpose of the farm program to fatten farmer returns but to maintain a plentiful supply of cheap food. The scam is to subsidize a few large farmers by paying them not to produce as long as there are surpluses and to flood the market when supply and demand are in balance. Admittedly, this is oversimplified, but large farm operations benefit more from government programs than small ones do.

Furthermore, subsidized farmers see little or no additional benefit when the government decides to increase farm pay-

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ments. Instead, equipment, seed, and feed suppliers simply jack up their prices to offset the difference. The unsubsidized guy really gets screwed.

That "the federal government paid for the slaughter of a million cows to support milk prices for the benefit of dairy farmers" is only partly true. A good chunk of that money came from dairy farmers who paid producer assessments. The assessments I had to pay really hurt when I was financially strapped.

The Leo Zilik-Loy Sneary comparison contradicts the article's purpose. Mr. Sneary is subsidized, Mr. Zilik is not. I'm sure Zilik would dance his heart out if the government upped his gross income by 50 percent with subsidies. If subsidies were eliminated, Mr. Sneary would do very well in the paving business.

After reading Mr. Zinsmeister's four articles, I hope readers will conclude that all government agencies and programs dealing with farming should be eliminated.

*Dan Burgner
Greenville, TN*

Black and White Comments

Virginia Postrel's editorial, "Black and White Issues" (Nov.), is one of the finest pieces of political analysis I have read since Ayn Rand was at her peak. Ms. Rand wrote masterful essays which were morally resolute and highly compelling in their tone of condemnation of those responsible for the general low state of American morals.

As Rand probably would have agreed, racist scum are pretty low on the political and evolutionary food chains, especially racists who ride around in limousines and sanctimoniously deny their outlook. At least Billy Bob Buzzardbreath is up front about it.

*Michael Lee
Salt Lake City, UT*