



The Journal of

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Articles submitted should not be under consideration by another publication.

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The Journal of Peace, Prosperity and Freedom

Editor's note

The third volume of *The Journal of Peace, Prosperity and Freedom* contains contributions on a range of subjects.

James Ostrowski opens with his paper criticising democratic peace theory. He does not just criticise it from a few narrow perspectives as do most mainstream scholars; he gives it a comprehensive shake-down that will leave its proponents dumbfounded: the legal, philosophical, economic and even sociological aspects are criticised.

Marcus Witcher continues the focus on foreign policy with his article outlining how libertarians and neoconservatives differ, and what the consequences of the Iraq war were on the political composition of American society.

Robert Batemarco, Walter Block and Charles Seltzer provide a run-down of the harmful effects of the minimum wage, which they believe have led to unemployment by pricing low skilled workers out of jobs.

Brian Bedkofer, a qualified medical practitioner, offers insights into the abuse of the medical licensing system run by governments. He argues that eliminating licensing and allowing a free-market to flourish would provide greater benefits for consumers than the current system.

William Stacey provides an explanation of libertarianism for beginners. This is definitely an article you should keep for future reference.

Finally, there is an interesting debate between Brian P. Simpson and Chris Leithner on Austrian economics, and particularly its methodological foundations.

This volume represents a labour of love; there's not much money in academic journals so thanks must go to all contributors and referees who gave up their time.



This will be the last issue unless I am successful in getting funding for the next volume. You can do your part by purchasing a subscription and encouraging your friends and family to do the same. For institutional subscribers, I offer the best deal in town. Most journals charge hundreds of dollars but I charge the same rate to institutions as individuals.

Sukrit Sabhlok
Monash University
28 January 2015

The Journal of Peace, Prosperity and Freedom

JAMES OSTROWSKI

The Myth of Democratic Peace: Why Democracy Cannot Deliver Peace in the 21st Century

ABSTRACT: There are numerous theoretical and empirical problems with the superficially appealing theory of democratic peace. Power kills and democratic states are quite powerful. The most powerful democratic states have been quite bellicose. Naturally, they have killed many, both internally and externally. Many of the pacific elements of democracies are in fact accidents: not essential elements of democracy but rather hang-overs from a more republican past. It is a mistake to focus on inter-democratic state violence when what really plagues the world is: (1) violence between democracies and non-democracies that democracies often provoke; (2) violence within democratic states; (3) the symbiotic relationships between dictatorships and democracies; and (4) the instability of democracy.

AUTHOR: James Ostrowski (jameso@apollo3.com) is a lawyer in Buffalo, New York and an adjunct scholar at the Ludwig von Mises Institute. He is author of *Political class dismissed: essays against politics, including 'What's wrong with Buffalo'* (Cazenovia Books, 2004).

There is no way to peace; peace is the way.

J. Muste

Seek, and ye shall find; knock, and it shall be opened unto you.

Mat 7:7.13

We are led to believe that democracy and peace are inextricably linked; that democracy leads to and causes peace; and that peace cannot be achieved in the absence of democracy. Woodrow Wilson was one of the earliest and strongest proponents of this view. He said in his war message on April 2, 1917:

A steadfast concert for peace can never be maintained except by a partnership of democratic nations. No autocratic government could be trusted to keep faith within it or observe its covenants. It must be a league of honour, a partnership of opinion. Intrigue would eat its vitals away; the plottings of inner circles who could plan what they would and render account to no one would be a corruption seated at its very heart. Only free peoples can hold their purpose and their honour steady to a common end and prefer the interests of mankind to any narrow interest of their own.

Spencer R. Weart alleges that democracies rarely if ever go to war with each other. Even if this is true, it distorts reality and makes people far too sanguine about democracy's ability to deliver the world's greatest need today — peace. In reality, the main threat to world peace today is not war between two nation-states, but (1) nuclear arms proliferation; (2) terrorism; and (3) ethnic and religious conflict within states.

As I shall argue below, democracy is implicated in all three major threats to world peace. India (the world's largest democracy) appears to be itching to start a war with Pakistan, bringing the world closer to nuclear war than it has been for many years. The United States, the world's leading democracy, is waging war in Afghanistan. If the terrorists are to be believed — and why would they lie? — they struck at the United States on September 11th because of its democratically-induced interventions into ethnic/religious disputes in their parts of the world. The vaunted political machinery of democracy has failed to deliver on its promises. The United States, the quintessential democracy, was directly or indirectly involved in most of the major wars in the 20th Century.

On September 11, 2001 the 350-year experiment with the modern nation-state ended in failure. A radical re-thinking of the relationship between the individual and the collective, society and state is urgently required; we must seriously question whether the primitive and ungainly political technology of democracy can possibly keep the peace in tomorrow's world. Our lives depend on it.

I. A THEORETICAL ANALYSIS

A. Definitions

Does democracy promote peace? Merely to ask the question is heretical, and, by now, probably illegal in some democracies. Even if democracy is the only palatable system an awareness that it has war-like tendencies (if it does) may allow for a certain degree of amelioration of those tendencies. The next problem is, compared to what? There are forms of government other than democracy. Again, I risk heresy. Do you mean to suggest there is another political system better than democracy? This paper will analyze which forms of government are most conducive to peace.

Four distinct forms of government can be identified:

1. Democracy: rulers are selected by the people; the will of the people, imperfectly revealed through the political process, is the primary determinant of the powers of the state. “Democracy” is a combination of two Greek words: *demos*, meaning “the people” and *kratis*, meaning “to rule”. The word democracy is a combination of an adjective — “demo” and a noun — “cracy”. In its purest form, democracy means majority rule. Certain auxiliary constitutional rights such as freedom of speech and assembly and procedural due process are assumed. All such rights are interpreted and enforced by officials elected by the majority.
2. Republic: government strictly limited by a constitution to narrowly defined functions such as national defense, police protection and resolution of disputes through courts. Rulers are selected by the people, but the will of the people does not sanction violation of the constitution. The government can only exercise powers delegated to it by the people.
3. Self-government: no state with final authority; each person governs himself or herself; disputes among people are resolved by private courts and arbitrators; resort to private courts is encouraged by self-interest, social pressure, boycott, ostracism and market forces such as the denial of insurance and of access to real estate to those with a history of improper self-help.¹
4. Dictatorship: a person or persons seize power by force and rule by decree.

¹ Hans-Hermann Hoppe, ‘Anarcho-Capitalism: An Annotated Bibliography’ <<http://archive.lewrockwell.com/hoppe/hoppe5.html>>

Peace: it is hard to think of another word more frequently used and so rarely defined. A Google internet search uncovers few sites which address in detail the meaning of “peace”. If we don’t know or care what it is, how can we get there?

Let’s say that peace is the absence of war and violence. War and violence involve the physical destruction of or damage to people or property. Which is not to say the peace is breached only by physical damage. What about a gun to the head? Okay, we must expand the definition to include the immediate threat of violence. What about the fact that the fellow on the bus might punch me in three minutes? No go; too speculative to involve a breach of the peace. It is clear however that the palpable threat of force is violent. What force is threatened then involves an analysis of the social context. What laws, customs, habits or mores can the individual reasonably expect to be enforced against him if he does this or that?

Is all physical destruction a breach of the peace? What if someone rips your face off with a knife? That is not necessarily violent if he is a plastic surgeon, using a surgical knife, and operating on you with your consent. Thus, the concept of consent must be an element in the definition of peace. This is consistent with the etymology of the word “peace” which is derived from the Latin word *pax*, meaning agreement or contract. What if I grab a guy and put him in a headlock? Certainly I have breached the peace. How? I have interfered with his control over his body, otherwise known as his liberty. If this happens in the middle of a wrestling match, however, it is not a breach of the peace because I have his consent. Neither is it a violation of his liberty. Thus, liberty, closely related to consent, must be factored into any definition of peace.

The theft or destruction of property without the consent of the owner is violent and unpeaceable. Thus, the concept of rightly owned property must be part of any definition of peace. Theft or destruction of property is violent because it overcomes or violates the will of the owner. The ultimate basis of property is the time and energy of individuals who either produced the property, acquired it while it was previously unowned, or traded for it with someone who had previously owned it. Property is an extension of the self. When property is stolen or destroyed, the time and energy of the owner is destroyed or wasted. Time is life. Theft and destruction are violent because they use others’ lives without their consent. Any attempt to exclude property rights from the concept of peace is absurd. Taking the absurdity to its logical conclusion, one could “peacefully” murder someone merely by snatching food from his plate for about three weeks.

What then is peace? Peace is the absence of violence or the palpable threat of violence against persons and their property. The concept of peace primarily

describes social relations and mental states, and only secondarily physical action or its absence.² Violence is the use of physical force against persons or their property in such a way that their person or property is used in a manner contrary to their will. One can be in a peaceful relationship with some people and in an unpeaceful relationship with others. For example, this author is in a state of peace with the people of Iceland. None is currently using violence against me or threatening to do so. However, my relationship with the federal government of the United States and the State of New York is not peaceful. I must pay each money regularly or I will be put in prison. This continual threat of being kidnapped is not conducive to my peace of mind.

What about the threat of violence against people who wish to assault others and destroy their property? This threat of violence is not properly considered a breach of the peace. What about actual violence against criminals? This is best seen as a breach of the peace by the criminal. The response by those charged with protecting people and property is part and parcel of the criminal's breach of the peace.

Einstein was correct when he wrote that "Peace is not merely the absence of war . . ." Certainly, wars are violent, but overt violence between states is merely one way to breach the peace. The others are violence between persons and violence between states and persons.

B. *Definitional problems*

1. *Peace*

Certainly if my definition of peace is wrong, any conclusions derived from it will also be wrong, or at least not proven. Nevertheless, I believe my definition of peace is unassailable. It defines the term in a manner that is consistent with its common usage and etymological origin. It allows the term to be used with equal validity in domestic or international contexts. Finally, I believe that even those who will not entirely accept my definition will actually agree with me on the definition of peace as far as it goes. That is, I believe almost everyone will agree with me that when violence or the palpable threat of violence is used against persons or their property, a breach of the peace has occurred.

² Rudolph Rummel, *Power Kills: Democracy as a Method of Nonviolence* (Transaction Publishers, 2002) 153: "Most basically, then, the fundamental questions of human behavior, as for social and political violence and their causes, have to do with mentality and not with material things". But Rummel uses a purely physical definition of peace: casualties.

It is at that point that two primary objections will be made. First, some will argue that it is improper to apply the definition in such a way that the normal processes of democratic government are deemed unpeaceable. Second, some will argue that peace must also include the provision of certain basic conditions of life without which peace in the narrow sense is meaningless and without which breaches of the peace in the narrow sense are assured.

My contention is that my imagined opponents are confusing a dispute over definition with a dispute over values. That is, when some would carve out of the definition of peace an exception for democratic, majoritarian law-making, what they are really saying is they value democratic decision-making more highly than the avoidance of violence or the threat of violence against persons on the wrong end of that decision-making. As a purely empirical matter, the physical actions and mental states involved with criminal extortion (“Give me a thousand dollars or I will kidnap you tomorrow”) are identical to democratic fund-raising (“Give me a thousand dollars or I will put you in jail tomorrow”). Both, in a strictly factual sense, are breaches of the peace. It is just that the democrat values democracy more than he values peace!

Similarly, when someone argues, “Yes, violence etc. is a breach of the peace, but so is poverty,” a word game is being played. The disputant is being intellectually dishonest. He is trying to use a definitional dispute to disguise a value judgment. He is trying to smuggle welfare rights into the prestigious concept of peace. Let’s just be honest about it. What you are really saying is, “Sure, I like peace, but I am willing to be unpeaceable to achieve welfare rights because I value them more than I value peace.”

It should be noted as well that both lines of thought beg the question. That is, if the question is “does democracy promote peace?” by inserting the concept of democracy into the concept of peace, one assumes as true that which is in dispute.

2. *Self-government*

Inclusion of self-government as a form of government is controversial. Some would argue that what I call self-government is really anarchy. “Anarchy” is not a very useful term in political discourse. First, it is a term of derision like “robber baron,” “isolationist” and “sweat shop”. Such terms are not intended to advance reasoned discussion; they are intended to close off such discussions as beyond the pale. Second, “anarchy” has several meanings and one has little assurance that one’s readers will apply the meaning the author intends.

The most fatal flaw in the use of the term “anarchy” to define self-government is that such ascription is fundamentally flawed and simply wrong. To understand why requires an examination of one the most grievous errors of modern political thought. In its most neutral, value-free sense, anarchy means a situation in which, between or among private persons (A and B in Figure No. 1) or groups of persons, there is no common lawful authority to resolve their disputes and avoid resort to self-help.



Figure 1: Anarchy illustrated

The truth is, there is no human political system imaginable that is not anarchic! True, creating a state in a “state of nature” will eliminate the anarchic relations among the people in that area. However, all we have done is create a new form of anarchy, because now there is an anarchic relationship between the newly created state and its own citizens. See figure 2.

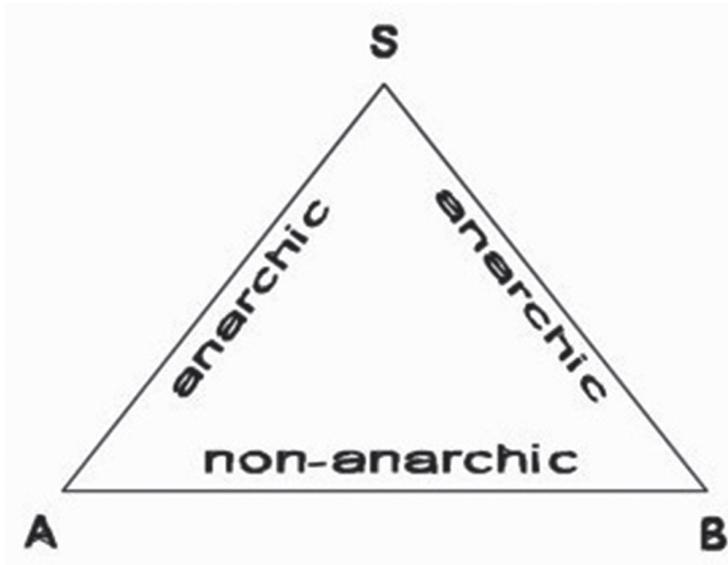


Figure 2: Anarchy between a state and its citizens

The fact that citizens can sue the government in government courts does not mean that the government's relation to its citizens is not anarchic. Anarchy, as we are using the term, is a value-neutral descriptive term for situations in which there is no common authority governing the relations of parties. When the government allows citizens to sue itself in its own courts, all it is doing is exercising a glorified form of self-help – precisely the horror of horrors for those who decry anarchy. It is judging its own cause: resolving a dispute with another in its sole discretion. It is worth noting that in the last century, states resolved disputes with 170 million of their own subjects by murdering them.³

It is claimed that a state with a monopoly on dispute resolution powers is the very prerequisite to a civilized justice system. So such power is bequeathed upon the state, or seized by it. Now we have a situation in which if one wants dispute resolution services, one must go to the state. As with any monopoly, there is a lack of incentive to provide high-quality services. Rather, the monopolist, unconcerned about securing or satisfying customers, tends to be more concerned about looking after its own interests. Courts in the United States, for example, have elaborate and fairly inflexible rules of procedure many of which seem designed to serve the needs of the court, not the litigants. Litigants are forced to hire expensive attorneys, usually specialists who know their way around in that particular court. Dispute resolution agencies which cannot monopolize business tend to adopt much simpler procedures. This rather banal example makes the larger point. Government courts, being monopolies, tend to serve their own interests not the litigants' in all aspects of their work, from procedure to substantive decision-making. This lack of solicitude is the direct result of the very monopoly powers we are told courts must have!

Because power corrupts, corruption, bribery and favoritism regularly plague the state's legal system. For example, in 1999, 580 people were convicted of "official corruption, including thirty-two federal law enforcement agents".⁴ In 1998, 42 police officers in Cleveland were charged with conspiracy to distribute cocaine.⁵ Other law enforcement agents accused of corruption that year included:

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- 3 Rudy Rummel, *Death By Government* (Transaction Publishers, 1997); Mark Kramer (ed) *The Black Book of Communism: Crimes, Terror, Repression* (Harvard University Press, 1999).
 - 4 Kathleen Maguire (ed), *Sourcebook of Criminal Justice Statistics 2000* (Claitors Pub Div, 2002) 411-12.
 - 5 Federal Bureau of Investigation press release, 14 January 1998.

- Three Detroit police officers who were charged with conspiring to rob approximately \$1 million;
- In Starr County, Texas, the sheriff, a justice of the peace, and five county jailers who were charged with bribery and conspiracy to commit bribery;
- Nine current or former New Jersey police officers who were charged with racketeering involving protection of prostitution and illegal gambling.⁶

In January 2002, a New York judge was arrested and charged with soliciting a \$250,000 bribe.⁷ These incidents are merely instances of an avalanche of official corruption in the state's legal system today. The known corruption is likely the visible part of a giant iceberg.

In addition to overt corruption, there is a more insidious and invisible form of corruption that only close observers of the courts can discern. All judges in a democracy are political animals. It matters not whether they are elected or appointed. The notion that appointed judges are apolitical is a fantasy entertained mainly by naïve and self-appointed court reformers. In truth, the politics involved in appointing judges is usually more covert and insidious than that involving elected judges. The public rarely learns about why judges were appointed. Who pulled what strings? Who owed what to whom? Who will owe what to whom in the future? The selection of elected judges to run for office is more transparent. They are usually lawyers associated with local political party organizations. They owe their loyalties to such organizations. However, they usually have at least some organic connection to the local community else they would lack the support to be elected. On the other hand lawyers appointed to judgeships usually are more wedded to secretive elite circles.

Whether judges are elected or appointed, they are all products of a political power structure. They therefore bring to the bench the general mindset of that power structure. They will favor the interests of the power structure because of a similar loyalty, gratitude or a desire for future appointments and other favors for themselves and their families and associates.⁸ Even federal judges, appointed 'during good behavior' tend to look out for the interests of the power structure whence they came. Perhaps from modest backgrounds, they are now accepted into elite circles. Having achieved judicial power, many become social climbers seeking the acceptance and the numerous subtle favors elite circles can now confer.

⁶ Ibid.

⁷ *New York Post*, 26 January 2002.

⁸ John Hasnas, 'The Myth of the Rule of Law' (1995) *Wisconsin Law Review* 199.

While such judges may fairly adjudicate disputes between ordinary private persons, when such persons litigate against the state or members of the power elite, judges will tend to discretely favor the elite. We are told that no one should be the judge of his own cause, yet the state in disputes with its own citizens is always the judge of its own cause. That this is not so because the state refers such disputes to its judicial branch is an incredibly silly and stupid argument. Similarly I suppose the next time I have a dispute with the United States, I will insist that that the dispute be resolved by an arbitrator selected by me.

The situation is aggravated when there are many states as is the case today. In that event, two new forms of anarchy are created. Each state ('S1', 'S2' in figure 3) is in a relationship of anarchy with all other states according to mainstream Hobbesian thought.⁹ Since states are in an anarchic relation with each other there is no assurance that these disputes will be resolved amicably. We are thus continually at risk of being murdered by some foreign state that feels aggrieved by our own state, or we are at continual risk of being conscripted by our own state to fight another state that has purportedly aggrieved our own. Surely, this is a state of disorder which destroys the tranquillity of the human spirit?

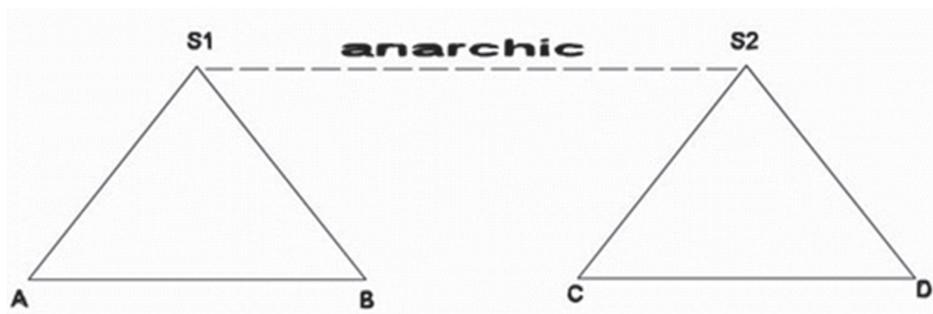


Figure 3: Anarchic relations between states

Further, each state is in a state of anarchy with the citizens of all other states and those citizens continue to be in a state of anarchy with the citizens of other states (figure 4). We are reminded of this fact by the US invasion of Afghanistan in 2001. Villagers who claimed that the United States bombed them without just cause - e.g. involvement with the Taliban or al Qaeda - had no common authority available to

⁹ Murray Rothbard, *For A New Liberty: The Libertarian Manifesto* (Ludwig von Mises Institute, 2nd ed, 2006) 221.

seek redress. This leads to the very chaos that was supposed to have been prevented by the creation of the state in the first place.

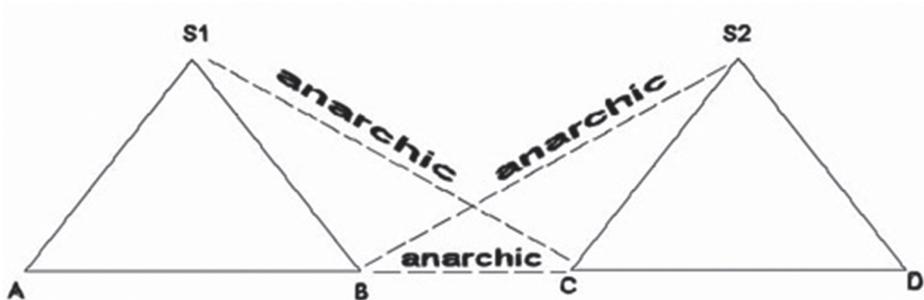


Figure 4: Anarchic relations between states and foreign citizens, and citizens and foreign citizens

Even a world government would not resolve the problem of anarchy. Under a federal world government (WG) individual states would no longer be in a state of anarchy with each other, however they would be in a state of anarchy vis-à-vis the world government. See figure 5.

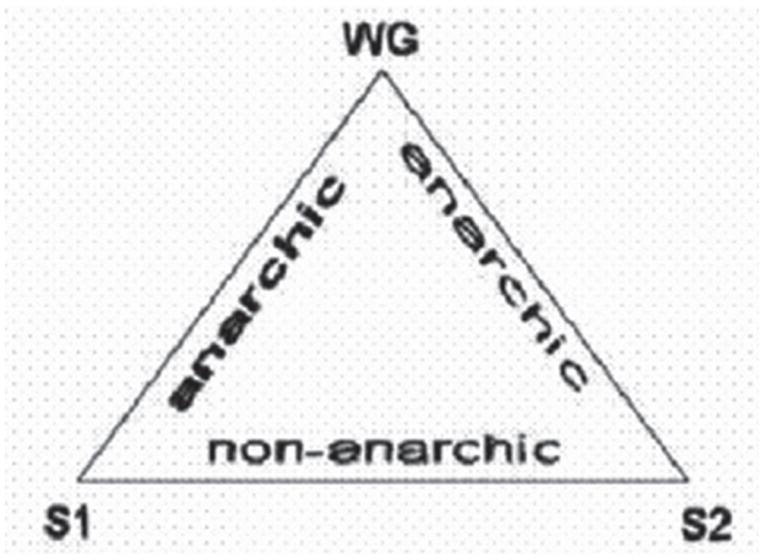


Figure 5: Anarchic relations between states and the central/world government

Returning to the original point, it is misleading to say that self-government is anarchic since that fails to distinguish self-government from all other forms of government, all of which have inescapable anarchic elements.

The main objection to self-government is that it would be disorderly. Like peace, order is a term frequently used but rarely defined. The concept of order is substantially similar to the concept of peace. When people use the term civil disorder they are usually referring to riots and other forms of widespread acts of violence against persons or property. In another sense, order involves not merely peace but the provision of some assurance that peace will continue and that disputes will be amicably resolved. In this sense, it could be argued that self-government fails; it provides no reasonable assurance that disputes will be amicably resolved. This argument is fallacious. What people want is not merely some reasonable assurance that disputes will be resolved, but that they will be resolved with at least a rough approximation to justice: the correct application of the right principles to the reasonably known facts. While the state in all its forms, even dictatorship, provides a means to resolve disputes, its capacity to resolve them justly is subject to serious dispute. Why should we think the state, even a democratic state, will resolve disputes justly?

In sum, the monopoly state provides no assurance that disputes will be resolved justly, merely that they will be resolved. Of course, all disputes at all times and all places are resolved one way or another. It is argued that the state does so without the use of force yet this is a myth. Many innocent people and criminal suspects have been unjustifiably assaulted or killed by law enforcement agents. Many law enforcement agents themselves are killed or assaulted. Many judges, litigants, jurors, lawyers and witnesses involved in criminal and civil litigation have been murdered, assaulted or threatened by disgruntled parties. In the typical year, 373 people were killed or injured by law enforcement officers and 135 law enforcement officers are killed in the line of duty in the United States. Another 56,054 police officers are assaulted.

A 1998 report by Human Rights Watch studied police behavior in fourteen large American cities from 1995 through 1998. The report concluded:

Our investigation found that police brutality is persistent in all of these cities; that systems to deal with abuse have had similar failings in all the cities; and that, in each city examined, complainants face enormous barriers in seeking administrative punishment or criminal prosecution of officers who have committed human rights violations. Despite claims to

the contrary from city officials where abuses have become scandals in the media, efforts to make meaningful reforms have fallen short.¹⁰

Further, many episodes of social violence have resulted from a perception that government courts or law enforcement officers have not resolved disputes fairly or protected citizens adequately. In 1992 there was a major riot in Los Angeles sparked by dissatisfaction with an acquittal in a criminal trial. The riot resulted in 54 persons killed, 2,383 injured, 13,212 arrests and 11,113 fires.¹¹ A similar riot occurred in Liberty City, Florida in 1980 after a jury acquitted four police officers accused of homicide. Critics of decentralized dispute resolution rarely acknowledge the state's abject failure to resolve conflicts without the use of force by itself, by litigants and by their sympathizers in the community.

There is no reason to believe that localized violence resulting from disputes over private dispute resolution would be any greater than the amount of violence currently arising from the state's clumsy, unjust, and inefficient dispute resolution and police services. Many scholars define 'war' by reference to a conflict resulting in at least 1,000 combat deaths. By that measure, the United States justice system has a war every two years! All told, the number of people killed or injured during the course of the state's enforcement of its laws is truly enormous. This is far from the peaceful and orderly system of legend.

Further, the state itself exacerbates and stimulates conflict. Its legal system does this directly and its policies do this indirectly. As Hoppe has argued, the state's policies, based as they are on coercion and confiscation, create a moral atmosphere which encourages the development of aggressive personalities. In addition the state's legal system is so complex that no one understands it. This reduces respect for the law, diminishes its moral force, makes conflicts more likely and makes them more difficult to resolve. In most areas of human knowledge, increasing complexity is a sign of progress, an indication that greater information has been acquired. Not so with the law. The law's crucial function is to guide ordinary people in their interactions with other people; to reduce disputes and misunderstandings; and to make possible the expeditious and just resolution of disputes that do arise. Further, since the ultimate foundation of respect for the law is community sentiment, the law must be readily understood by most people. The modern statist

10 Human Rights Watch, *Shielded from Justice: Police Brutality and Accountability in the United States* (July 1998).

11 William Mendel, 'Combat in Cities: The LA Riots and Operation Rio' (July 1996) Foreign Military Studies Office <<http://fmso.leavenworth.army.mil/documents/rio.htm>>

legal system has totally failed in its critical function. No one understands even a small part of it, not even the most brilliant lawyers and judges. Legal specialists do not even fully grasp all the intricacies of their own fields.

Legislation is the primary villain in the unworkable complexity of the law. The common law system was and is based on application of a few essential principles to a wide variety of different scenarios. Though the common law can be complex to be sure, it is no more complex than the subject matter itself. Further an ordinary person, armed with common sense and a general understanding of the basic principles of the law, and acting reasonably and justly, is in a good position to conform his behavior to the dictates of the law. Legislation is a different animal entirely. Legislation is largely based on the whim of legislators and their desire to please special interest groups. It is impossible for the average person to deduce their duties under legislative law from general principles. In fact, most people could not understand most legislation even if they spent several hours reading it.

In contrast to the state system of justice, a regime of self-government has much to recommend it. Under self-government, the market will supply dispute resolution services just as it supplies other valuable goods and services. Consumer choice and competition among businesses will ensure the availability of competitively priced, high quality services. The free market, that amazing repository of the creativity of humanity, should be able to efficiently produce security and justice for the same reason it has been able to produce a myriad of other goods and services. The advantage of the market over states can be summed up in one phrase: the market is self-correcting. Problems or deficiencies in one firm's products can be remedied by other firms producing better products for profit. The market is superior to government as a problem-solver because market transactions require the consent of all parties to them. When government interacts with people, there is always at least one party that is forced to participate and that is therefore abused and exploited. The errors of states are not self-correcting. Rather, they tend to expand and duplicate themselves.

In spite of the theoretical advantages of market provision of justice services, many will balk and continue to ask, "What about order? There must be an authority with a final say, else chaos will ensue". This criticism is fallacious. We look at the cop on the beat or the government court system, and we conclude there is where order resides — with a single authority in charge. This is an illusion. Such order as exists at any given time is the result, not of government action but of diffused public sentiment that allows a regime to exist in the first place. This fact is critical to understanding the fallacy of the objections to self-government. True, the

success of a society based on self-government would depend on the opinions and actions and good will of the bulk of the population. But the same is the case with democratic regimes. Without the cooperation, support, and good will of the vast bulk of the population, democratic regimes would also fail and collapse long before Election Day.

History is strewn with examples of military dictatorships whose brute force was unable to maintain power when the regimes lost the support of the majority of the people, for example: Iran (1979), the Philippines (1986), and Romania (1989). Thus, those who worship at the altar of order and who mistakenly believe that order is the result of state action need to come to the realization that order in society is actually the result of the mores, habits, and opinions of the bulk of the population.¹² They should therefore study the question: which kinds of regimes are best suited to inculcating in the public mind the values of peace, liberty, order, and harmony? The answer must be those regimes whose animating principles are peace, order, liberty and harmony. Dictatorial and democratic regimes violate all these principles. They tend to corrupt public opinion by continually reinforcing the morality and efficacy of the use of force and violence to achieve social goals.

The ultimate fallacy underlying most critiques of self-government is utopianism. The utopian fallacy is committed when a political ideal is posited which cannot, in the nature of things, be achieved. Such schemes ignore the unalterable facts of human nature and the human condition. They contain internal contradictions, and since contradictions cannot exist outside the mind, such schemes in their intended form cannot operate. It is not so much that people are not good enough for these utopian schemes to work; rather, these utopian schemes are not good enough for them to work with real people. For example communism was utopian because it abolished private property in capital goods. As Mises demonstrates, without a market in capital goods there will be no market prices for such goods. Without prices, we cannot know whether we are taking lesser-valued goods and converting them into more highly valued goods, (i.e., producing wealth), or taking more highly valued goods, and turning them into less highly valued goods (i.e., destroying wealth).

One of the premises of utopianism is that there is a political solution for every human problem. This is why utopians insist that advocates of self-government detail how self-government will solve every conceivable social problem. On the contrary, not only is there not a political solution for most human problems, there is not an earthly solution of any kind for many human problems. Similarly, it is typical for utopians

12 Etienne de la Boetie, *The Politics of Obedience: The Discourse of Voluntary Servitude* (Black Rose Books, 2nd ed, 1997).

to require a complete blueprint for the future which provides for all contingencies. Statists who could not guarantee that on September 11 the US would not suffer a devastating attack insist that advocates of self-government set forth every detail of how a decentralized, privatized justice system would work. This is folly. All that can be done and that needs to be done is to set forth the essential logic of the system and to show that all competing systems of justice have failed. Self-government will work, or not work, according to the nature and character of the people in a given society. Should we continue to operate under a system that has failed — and whose failure was inevitable given its contradictions — and never find out if there is a workable alternative? Is it possible there will be problems under a regime of self-government? Yes, and what else is new? The relevant question is will problems under self-government be worse than the problems of the state monopoly system? It is difficult to see how they could be.

The statist system itself is based on utopian thinking. We are told that a strong central government is necessary because, human nature being what it is, the public needs to be protected from evil miscreants. We are then asked to assume that these same evil miscreants will not do everything they can to gain control of the state apparatus. This is contrary to all theory and experience and is thus utopian. Logic tells us that evil people will gravitate to positions of state power so they can lie, cheat, steal, and murder with the impunity granted by their legal monopoly.¹³ Experience tells us that liars, cheats, thieves, and murderers such as Hitler, Stalin, Nixon and Clinton have in fact gravitated to politics to fulfil their foul agendas.

Statists assure us that irresponsible people will act responsibly. That is, state officials, who are given power over us and who therefore are not responsible to us, will act responsibly. All logic and experience tell us this is false, and thus utopian. Statists tell us that no one should be the judge of his own cause because injustice would result but that the state may be the judge of its own cause because its judges will ensure that justice is done. We know however, that systems which contain internal contradictions cannot exist and are thus utopian in nature.

3. *Democracy/republic*

Distinguishing between democracy and republic is critical to the present undertaking. Both forms of government feature voting by the people to select officials. The primary difference between them is that while republican voting is done for the purpose of choosing officials to administer the government in the pursuit of its narrowly

13 F.A. Hayek, 'Why the Worst Get on Top' in *The Road to Serfdom* (University of Chicago Press, 1994).

defined functions, democratic voting is done not only to select officials but also to determine the functions and goals and powers of the government. The guiding principle of republics is they exercise narrow powers delegated to them by the people, who themselves, as individuals, possess such powers. They cannot spring as they do in democracies *ex nihilo*, from the collective whim.

The problem for our analysis is that many governments are a combination of democracy and republic. There are very few, if any, modern governments which approximate our definition of a republic. Perhaps the closest modern example is peaceful and prosperous Switzerland. The United States still has remnants of the republican philosophy: a constitution and bill of rights. However, the dominant ethos in American politics long ago turned away from republicanism toward democracy. William Graham Sumner gave the obituary in 1899: “this scheme of a republic which our fathers formed was a glorious dream which demands more than a word of respect and affection before it passes away”.¹⁴

The rights supposedly retained by the American people and not subject to majoritarian override are interpreted by judges installed by politicians selected by the majority of voters. Over time, such rights tend to be narrowly construed so as to allow the majority will to prevail most of the time. What can be said for present purposes is that the United States began its life primarily animated by republican principles. Over time those principles though still felt have been overwhelmed by the spirit of modern majoritarian democracy. Rousseau has prevailed over Locke.

If democracies are relatively pacific, is that because of their democratic elements, their republican elements (right to bear arms, militias, non-conscription), their capitalistic elements (low taxes, free trade) or some other yet to be identified factor? Writers such as Kant, Mises, and even Rummel appear to be supportive of the theory of democratic pacifism but on closer look are actually advocating a republican pacifism model. For example Mises in *Human Action* praises democracy as a “means of preventing revolutions and civil wars. It provides a method for the peaceful adjustment of government to the will of the majority”.¹⁵ However in *Socialism* he favors not unrestrained democracy, but a liberal republic:

Grave injury has been done to the concept of democracy by those who, exaggerating the natural law notion of sovereignty, conceived it as a limitless

14 Quoted in Ralph Raico ‘American Foreign Policy The Turning Point, 1898—1919’ in Richard Ebeling and Jacob G. Hornberger (eds), *The Failure of America’s Foreign Wars* (Future of Freedom Foundation, 1996) 61.

15 Ludwig von Mises, *Human Action* (3rd ed, 1966) 150.

rule of the *volonte generale* (general will). There is really no essential difference between the unlimited power of the democratic state and the unlimited power of the autocrat. The idea that carries away our demagogues and their supporters, the idea that the state can do whatever it wishes, and that nothing should resist the will of the sovereign people, has done more evil perhaps than the Caesar-mania of degenerate princelings. Both have the same origin in the notion of a state based on political might. . . [O]nly within the framework of [classical] liberalism does democracy fulfil a social function.¹⁶

Mises' concept of classical liberal democracy is similar to republicanism as defined above. Further, in *Human Action*, Mises ties the type of economic intervention commonly found in contemporary democratic states to international bellicosity: "Aggressive nationalism is the necessary derivative of the policies of interventionism and nation planning".¹⁷ With states controlling much of the economic life of their populations, economic goals which would otherwise have been pursued in the market and by free exchange, are necessarily pursued by political means. War, of course, is the ultimate political means.

Immanuel Kant, who is often credited with originating the theory of democratic pacifism, himself drew a distinction between democracies and republics:

The Civil Constitution of Every State Should Be Republican. The only constitution which derives from the idea of the original compact, and on which all juridical legislation of a people must be based, is the republican. . . . The republican constitution . . . gives a favorable prospect for the desired consequence, i.e., perpetual peace. . . . In order not to confuse the republican constitution with the democratic (as is commonly done), the following should be noted. The forms of a state (*civitas*) can be divided either according to the persons who possess the sovereign power or according to the mode of administration exercised over the people by the chief, whoever he may be. The first is properly called the form of sovereignty (*forma imperii*), and there are only three possible forms of it: autocracy, in which one, aristocracy, in which some associated together, or democracy, in which all those who constitute society, possess

16 Ludwig von Mises, *Socialism: an economic and sociological analysis* (Liberty Classics, 6th ed, 1981) 64–65.

17 Mises, *Human Action* (3rd ed, 1966) 823.

sovereign power. They may be characterized, respectively, as the power of a monarch, of the nobility, or of the people. The second division is that by the form of government (*forma regiminis*) and is based on the way in which the state makes use of its power; this way is based on the constitution, which is the act of the general will through which the many persons become one nation. In this respect government is either republican or despotic. Republicanism is the political principle of the separation of the executive power (the administration) from the legislative; despotism is that of the autonomous execution by the state of laws which it has itself decreed. Thus in a despotism the public will is administered by the ruler as his own will. Of the three forms of the state, that of democracy is, properly speaking, necessarily a despotism, because it establishes an executive power in which “all” decide for or even against one who does not agree; that is, “all,” who are not quite all, decide, and this is a contradiction of the general will with itself and with freedom.¹⁸

Kant’s definition of ‘republican’ is not identical to this writer’s; however, an overall reading of this passage puts Kant, like Mises, into the republican camp opposed to unrestrained majoritarian democracy. Kant reveals his republican sympathies most clearly elsewhere in the essay when he writes:

Standing armies shall in time be totally abolished . . . For they incessantly menace other states by their readiness to appear at all times prepared for war; they incite them to compete with each other in the number of armed men, and there is no limit to this. For this reason, the cost of peace finally becomes more oppressive than that of a short war, and consequently a standing army is itself a cause of offensive war waged in order to relieve the state of this burden. Add to this that to pay men to kill or to be killed seems to entail using them as mere machines and tools in the hand of another (the state), and this is hardly compatible with the rights of mankind in our own person. But the periodic and voluntary military exercises of citizens who thereby secure themselves and their country against foreign aggression are entirely different.

18 Immanuel Kant, *To Perpetual Peace: A Philosophical Sketch* (Hackett Publishing Company, 2003).

Opposition to large standing armies and preference for the militia system alluded to by Kant, is one of the hallmarks of republican theory. So is the right to bear arms which is inextricably linked with the militia system, the militia consisting of the able-bodied citizenry bearing arms. Thus, those who cite Kant for theoretical support for the theory of democratic pacifism are mistaken. He is most accurately cited in support of the theory of republican pacifism.

The term ‘republican’ has fallen into disuse, as has republicanism itself. Discussions of the relationship between the form of government, peace, and war have generally used the word ‘democracy’ and eschewed ‘republic’. Rummel uses the term ‘democracy’ in his writings. However, even Rummel appears to have recognized that the pacific benefits of democracy may have republican roots. He even uses the term ‘libertarian democracy’, virtually synonymous with republic, as essential to reducing the risk of war.

Another leading theorist of democratic pacifism, Spencer Weart, bases much of his theory on the history of what he calls ‘republics’.¹⁹ His definition and mine differ. He does not see a sharp distinction between republics and democracies, merely that in republics, fewer people are allowed to vote. He believes that regimes are peaceful in direct relationship to the number of people allowed to vote. Weart’s conclusions are flawed. He completely ignores the other features of republics such as the right to bear arms, militias and strictly limited government. The right to bear arms can be critical in deterring what Rummel calls democide — a government murdering its own citizens. The militia system is essential in providing other nations with an assurance that they will not be attacked since the militia system is designed not for invasion, but for protection of the homeland.

Weart theorizes that democracies are pacific in part because democratic leaders use the same methods in foreign policy that they use in domestic democratic politics. In his view, these include willingness to negotiate and compromise with opponents and abide by legal procedures. This rosy scenario ignores other characteristics of democratic politicians: lying, manipulation, and ruthlessness. One thinks of FDR — promising to keep the U.S. out of war while conspiring with Churchill to do the opposite; Nixon — he had a secret plan to end the Vietnam war, but then escalated it; Johnson (Gulf of Tonkin) and Clinton — grossly exaggerating deaths in Kosovo to justify one of history’s most massive bombing campaigns in Serbia. A more cynical view than Weart’s would say that democratic politicians gain and keep power domestically by:

¹⁹ Spencer Weart, *Never at War: Why Democracies Will Not Fight One Another* (Yale University Press, 1998).

1. lying about the ability of government to improve people's lives;
2. distorting the truth about their opponents programs and policies;
3. sacrificing the interests of smaller groups to gain the votes of larger groups;
4. sacrificing the general interest for the benefit of wealthy or politically powerful interests; and
5. doing what is likely to procure votes in the short run at the expense of the long-term good of the nation.

None of these methods, applied to foreign policy, bodes well for procuring peace.

C. *Conceptual conclusion*

Peace is the absence of violence or the palpable threat of violence against persons and their property. Democracy is not a formula for peace, domestic or foreign.

Democracy is a form of government which, by and large, places persons and their property at the mercy of the vagaries of majoritarian politics over which, as individuals, they have essentially no control, and to which, therefore, they cannot be deemed, under any view but the fantastic, to have consented. In truth, democracy is nothing more than the numerous and their manipulators bullying the less numerous. It is an elaborate and deceptive rationalization for the strong in numbers to impose their will on the electorally weak by means of centralized state coercion. It takes as its premise the right of each person to control his destiny, and, by shifting this right from the individual, to the collective, destroys it. Advocates of democracy emphasize the self-government rights of an abstraction called 'the people' but ironically recoil in horror at the prospect of real persons governing their own selves.

If democratic states can impose their will on their own minority populations, why can't they impose their will on other countries, states, and peoples, particularly if they are not democratic? Strange it is, though, that pugnacious democrats always forget the principle of majority rule when war comes. They do not seek the prior consent of the majority of the inhabitants of the nations they seek to conquer, subdue, and rule.

Having resolved the issue at the level of pure theory, I proceed to examine alternative views and views which utilize different definitions of the concept of peace. In the process I will adduce empirical evidence which buttresses the previous conceptual analysis.

II. A CRITIQUE OF THE THEORY OF DEMOCRATIC PACIFISM

A. *The theory stated*

The belief that democracy promotes peace, often termed the theory of democratic pacifism, is broadly held by academics, politicians, diplomats, and the general public. Although this paper responds to the theory itself as summarized below, the views of leading academic proponents of the theory such as R. J. Rummel will be discussed. Rummel sets forth his views most concisely in *Power Kills: Democracy as a Method of Nonviolence*. I agree with much of what Professor Rummel has to say. For instance, his research on democide — the state killing its own citizens — has been tremendously important. My main problem with Rummel is that he doesn't take his conclusions far enough.

The theory of democratic pacifism can be stated as follows:

1. democracies rarely if ever go to war against each other;
2. democracies tend to be more peaceful than dictatorships;
3. democracies tend to have less internal violence; and
4. this tendency toward peacefulness is structural, that is, related to the nature of democracy, not an accident or coincidence.

B. *Problems with the theory*

1. *Non sequitur*

Rummel's view is that "freedom promotes nonviolence and power kills". A contradiction is immediately apparent. Though "power kills" he favors democracy, a regime that bestows tremendous power upon the state. Rummel describes democracy as "a way of solving without violence disagreement over fundamental questions". This is true, however, only if we exclude from the concept of violence, the threat of violence. For example, when federal troops escorted black students into the University of Alabama in 1963 because the governor of the state opposed integration, was that peaceful? If so, then any time one forces another to do an act by merely threatening, not actually using force, peace has broken out. This would include bank robberies where a gun is displayed. To take this to the absurd, concentration camps are peaceful because the machine guns in the guard towers are

not actually firing. Rummel's thesis crumbles at the very beginning for want of a cogent definition of peace.

If power kills one should not support democracy, but a republican minimal or ultra-minimal state or no state whatsoever (self-government). It is true that Rummel expresses sympathy for the classical liberal state with fairly limited powers however this sympathy is not consistently manifest. His apparent personal sympathy for classical liberalism appears to play no role whatsoever in his theory.²⁰ That theory vindicates modern democratic states, none of which is a classical liberal minimal state. He boasts that special interest group politics is a normal feature of democracy. He refers to the 'ideological baggage' of classical liberalism while his enthusiasm for democracy is repeated continuously and with little reservation.

2. *Asking the wrong question*

Let's assume that the vast majority of democracies are peaceful, but that a few are not. Would not that scenario allow for the generation of statistics which show that democracies are generally peaceful? Rummel considers this prospect, but casually dismisses it. He calls focusing on a few bellicose democracies a "methodological error". However, let's assume that the bellicose democracies are the most powerful democracies. Is it not then a distortion of reality to still maintain that democracies generally are peaceful? Does it really matter whether democracies in general promote peace?

Imagine you are visiting an aquarium that features a large shark tank. There are 100 sharks in the tank; 95 of the sharks are either docile or too small to injure a human. There are however, five hungry great whites. Certainly, the overwhelming majority of the sharks are harmless, but would you swim in that tank? Similarly, we should not ask whether democracies are peaceful but is the United States peaceful? Are the other militarily powerful democracies — United Kingdom, France, India, Israel, peaceful? History shows they are not (table 1). As Gowa writes, "[t]heory suggests and empirical studies confirm that major powers are much more likely than are other states to become involved in armed disputes, including war".²¹

²⁰ R.J. Rummel, *Power Kills: Democracy as a Method of Nonviolence* (1997) 24.

²¹ Stuart Bremer, 'Dangerous Dyads: Conditions Affecting the Likelihood of Interstate War, 1816—1965' (1992) 36 *Journal of Conflict Resolution* 309—341.

Year	State	War
1899	France	Chad-France
1899	U.S.	Philippine Insurrection
1914-18	U.S., France, U.K.	World War I
1916-21	U.K.	Anglo-Irish (civil war)
1919	U.K.	Afghanistan-British War
1939-45	U.S., France, U.K.	World War II
1945	U.S.	Chinese Civil War
1946	U.K.	Indo-China War
1948	Israel	Arab-Israel War
1952	France	Algerian revolution
1950-53	U.S.	Korean War
1956	Israel	Suez or Sinai War
1956-1964	France	Vietnam
1962	India	China-India
1965-1973	U.S.	Vietnam
1965	India	India-Pakistan
1967	Israel	Six-Day War
1971	India	India-Pakistan
1973	Israel	Yom Kippur War
1975-1984	U.K.	Britain-Ireland
1982	Israel	Israel-Lebanon
1982	U.K.	The Falkland War
1983	U.S.	Grenada
1991	U.S.	Gulf War
1999	U.S.	Yugoslavia
2001-02	U.S.	Afghanistan

Table 1: Wars of the democratic powers²²

Another factor which skews analysis is the definition of ‘war’ used by researchers: any conflict with more than 1,000 combat deaths. It is absurd to lump all such wars together for statistical analyses as if they were people, apples or coins. The better way to proceed is to ask which were the most violent conflicts and which wars caused the most long-term damage to civilization. Certainly, the two most destructive wars in the last 100 years were World War I and World War II. The American Civil War was one of the bloodiest wars of the 19th century with 620,000 combat deaths and thousands of civilian war-related deaths. As Rummel observes, the Civil War was the most violent war involving western states between the Napoleonic wars and World War I.²³

²² Brian Blodgett, ‘Conflicts, Coup d’etat, Revolution, Insurrections, Civil Wars, and Wars of the 20th Century’ <<https://sites.google.com/site/blodgetthistoricalconsulting/conflicts-of-the-20th-century>>

²³ Rummel, *Power Kills* (1997) 109.

To sum up, the initial question is wrong. Let us not ask, ‘Are democracies peaceful?’ but is the most powerful democracy peaceful? Is the United States peaceful? Does the United States provoke wars? If so, how terrible are the wars that result?

3. *Wrong criteria for judging validity*

Rummel argues that the theory that democracy promotes peace is proven mainly by the infrequency of wars between and among democracies; since democracies tend not to fight each other, if we only democratized the world, peace could be assured. Though it is no doubt desirable to avoid wars between nation-states, the argument ignores several other potential criteria.

Nuclear war: Arguably, the greatest threat to world peace is the proliferation of nuclear weapons. The risk of nuclear war increases with the number of states which have them. The risk of accidental explosion increases with the number of such weapons as does the risk of terrorists securing such weapons. Democracies have led the way in inventing, producing and exploding nuclear weapons. Currently, of the eight states that have them, only two are dictatorships (table 2). The first nuclear power, the United States, developed them at the same time it was becoming the world’s most powerful state. Therefore, the nuclear bomb soon became the symbol of global political power. Other states rushed to develop them. Perhaps they would have done so anyway but the fact that the United States, the world’s most prestigious state, had done so, made such pursuit irresistible.

State	Form of government
Russia	democracy
United States	democracy
China	dictatorship
France	democracy
United Kingdom	democracy
India	democracy
Pakistan	dictatorship
Israel	democracy

Table 2: Nuclear powers²⁴

24 Editor’s note: Table lists nuclear powers as of 2002 when this article was written. Since then North Korea has acquired nuclear weapon capacity of between 5 to 10 warheads. Kathleen Sutcliffe, ‘The Growing Nuclear Club’, Council on Foreign Relations Backgrounder, 17 November 2006 <<http://www.cfr.org/proliferation/growing-nuclear-club/p12050>>.

We are told that the United States developed these weapons to stop Hitler. However, production was rushed even after Hitler was defeated, ‘to defeat Japan’. After Japan was defeated, nuclear weapons production continued at a vigorous pace. Of course, about one minute after World War II ended, we were told that we needed them to defend against our ally, the Soviet Union. The truth is democratic states produce nuclear weapons, not to defend against a specific enemy, but to advance their power, which is after all the coin of the political realm. The proliferation of nuclear weapons by mostly democratic states means that democracy has failed to provide a solution to the greatest danger of our times. Rather, democracies are a major part of the problem.

Terrorism: Another threat to world peace is international terrorism. What we are concerned with here is not a moral evaluation of terrorism or its antecedents. Rather the question is, do democracies provoke or discourage terrorism? The evidence indicates that democracies do provoke terrorism. International terrorism led to the American invasion of Afghanistan, which in turn increased tensions between Pakistan and India which for a time were on the verge of war, perhaps nuclear war. As table 3 below shows, virtually all of the major targets for terrorism are democratic countries. Apparently, terrorists have grievances with these countries because of the foreign or domestic policies they have pursued (notice that numerous democratic states with non-interventionist foreign policies are rarely plagued by terrorism).

State	Form of government
Lebanon	mixed
United States	democracy
Germany	democracy
France	democracy
United Kingdom	democracy
Greece	democracy
Argentina	dictatorship/democracy
Israel	democracy
Italy	democracy
Turkey	democracy
Philippines	democracy
Colombia	democracy
Peru	democracy
Spain	democracy/constitutional monarchy

Table 3: Leading targets of terrorism²⁵

25 Peter Flemming and Michael Stohl, ‘Myths and Realities of Cyberterrorism’ in Alex Schmid (ed), *Countering Terrorism through International Cooperation* (2001) 70-105.

Ethnic/religious conflict: Perhaps the leading cause of organized violence in today’s world is intrastate conflict between and among ethnic and religious groups. Though many of these conflicts have taken place under oppressive dictatorships, a large number of them have occurred either entirely or partially under democratic regimes as shown in table 4.

State	Type of dispute	Form of government
Afghanistan	ethnic/religious	dictatorship
Algeria	religious	Mix democracy/dictatorship
Angola	ideological	mixed
Burma	ethnic	mixed
Burundi	ethnic	mixed
Colombia	ideological	democracy
Congo (Congo-Brazzaville)	ethnic	mixed
Congo-Zaire	ethnic/ideological	mixed
Georgia	ethnic	democracy
India	ethnic/religious	democracy
India	ideological	democracy
Indonesia	religious	mixed
Indonesia	ethnic/ideological	mixed
Mexico	ethnic	democracy
Namibia	ethnic	democracy
Nigeria	ethnic	mixed
Peru	ideological	democracy
Philippines	religious/ethnic	democracy
Russia	ethnic/religious	democracy
Rwanda	ethnic	mixed
Sierra Leone	miscellaneous/ethnic	mixed
Solomon Islands	ethnic	constitutional monarchy
Spain	ethnic	democracy
Sri Lanka	ethnic/religious	mixed
Sudan	ethnic/religious	mixed
Turkey	ethnic	democracy
Yugoslavia	ethnic/religious	democracy

Table 4: Recent Intrastate Conflicts²⁶

25 out of 29 recent intrastate conflicts were ethnic or religious in nature. In 23 of the 25, the prevailing regime was democratic throughout the dispute or at least at

26 Source for dispute type: Federation of American Scientists.

certain times during the dispute. In certain cases, a democratic government was overthrown because of the feeling of an ethnic or religious subgroup that its interests were not being advanced by the democratic state.

The empirical evidence indicates that democracy promotes ethnic conflict. In democracies, people tend to vote along ethnic/religious lines (since ethnicity and religion are closely linked, they can be dealt with together). People of one ethnic group tend to vote for candidates of the same ethnic group, or candidates known to favor the interests of such group. For example, 93 percent of Republicans are white according to the Gallup Poll; while Al Gore received 90 percent of the black vote for President in 2000. That being the case, it must be true that the candidates people vote against are usually identified with other ethnic groups. Since those voters opposed that candidate, it is reasonable to assume that they harbor a certain amount of resentment against those whose votes put that candidate into office. Voters may come to view any increase in the population of other ethnic groups as a threat to their wellbeing, portending as it does the election of officials they believe will harm their interests.

It is no accident that people tend to vote along ethnic and religious lines. In a democracy the odds of casting the deciding vote in favor of a candidate is millions to one and since voters implicitly recognize the virtual meaninglessness of their one vote, they have little incentive to inform themselves in detail about candidates, issues and policies and are likely to vote for ethnic reasons because the ethnic identity of candidates is usually clear. Further, it takes little additional effort to ascertain which ethnic groups a candidate serves. Thus, ethnic voting is a rational response to the problem of rational ignorance about candidates and issues. Given its efficiency, it always has been and likely always will be a major factor in elections. Even if it is argued that people of similar ethnic and religious backgrounds vote alike not because of those backgrounds per se, but because of their similar experiences, situations, values and needs, we reach the same conclusion. Since these factors themselves are closely tied to ethnic and religious identity, the voting patterns they produce will be closely tied to and, in practice, virtually indistinguishable from, ethnicity and religion.

Democracy inherently contains the seeds of ethnic conflict. History shows that, under certain circumstances, members of ethnic minorities prefer to fight wars of secession to escape from majority ethnic groups they believe are hostile to their interests. The ethnic conflict created by democracy necessarily worsens over time since the natural tendency of democratic government is to grow in size and scope.²⁷

27 Hans-Hermann Hoppe, *Democracy: The God that Failed* (Transaction Publishers, 2001); Harry Browne, *Why Government Doesn't Work* (St Martins Press, 1995); Ostrowski, 'In Freedom's Way' (Feb 1993) *Liberty* 42.

Governments grow because the desire to impose costs on others is virtually limitless. As Bastiat put it, “Government is the great fiction, through which everybody endeavors to live at the expense of everybody else”.²⁸ The government of the United States has been steadily growing in power since 1776. Even conservative Republican Presidents increase the power of the federal government. Every one since Hoover did so.²⁹ The federal government is much stronger now than it was in January 2001, when a conservative President took office. Government tends to grow until it has substantially destroyed the society upon which it predated. As government power increases, so does the threat perceived by ethnic minorities, and, finally, their willingness to fight wars of secession. At some point, ethnic minorities will simply refuse to have their wealth confiscated and their cultures destroyed by majority ethnic groups.

Ideological and other civil wars: Though ethnic conflict is the primary instigator of intrastate war, democracy also fails to deter ideological civil war. Ironically, democracy was supposed to avoid just such wars by allowing people to resolve their disputes through elections.

The primordial example is the American Civil War (War Between the States). It is not well known that the democratic idea led to the most destructive war ever fought in the Western hemisphere. Why did Lincoln order armies into Virginia, which had not been involved in the attack on Fort Sumter? Let him speak for himself:

[W]e divide [all our constitutional controversies] into majorities and minorities. If a minority . . . will secede rather than acquiesce [to the majority], they make a precedent which, in turn, will divide and ruin them; for a minority of their own will secede from them, whenever a majority refuses to be controlled by such minority . . . Plainly the central idea of secession is the essence of anarchy.³⁰

Hence a substantial motive for Lincoln’s invasion of the South was to preserve the principle of majority rule – that is, the ability of a majority to impose its will on a minority. The War Between the States revealed the true nature of democracy as majority rule at gunpoint. It just so happens that people usually put up with it and the bullied minority is scattered throughout the nation. In the War Between the

28 Claude Frederic Bastiat, *Essays on Political Economy* (Classic Books Library, 2007).

29 J. Ostrowski, ‘Republicans and Big Government’ 19 February 2002 <<http://mises.org/library/republicans-and-big-government>>

30 First Inaugural Address, 4 March 1861. For further discussion of this passage see J. Ostrowski, ‘Was the Union Army’s Invasion of the Confederate States a Lawful Act?’ in David Gordon (ed) *Secession, State and Liberty* (Transaction Publishers, 2002).

States, however, the bullied minority was clustered together and willing to fight. Majority rule encourages minority groups that feel exploited by the majority to attempt to secede. The bullying majority rarely lets subjects go in peace, and thus war breaks out. The provocateur is often the majoritarian state, and that state’s rationalization for fighting is always the preservation of the majority principle.

It is commonly thought that left-wing civil wars arise in response to repressive dictatorships which ruthlessly exploit the population for the benefit of a few, leaving a large body of discontents. However, such revolutions do occur in democratic countries. As indicated in table 4, such wars have occurred recently in Colombia, Peru, India and Indonesia. Perhaps the leading cause of war in the foreseeable future will be the struggle of peoples who constitute a minority in their countries to escape from oppressive democratic majority rule by those animated by alien ethnic, cultural, religious, economic, or philosophic values.

Domestic crime rates: Domestic crime rates can illuminate this debate. Table 5 presents the twenty-one most murderous nations. There is nothing magical about the number twenty-one other than I had to extend the list that far in order to include a single dictatorship!

State	Population	Homicide rate (100,000)	Form of government
South Africa	41,465,000	75.30	democracy
Colombia	37,500,000	64.60	democracy
Estonia	1,499,257	28.21	democracy
Brazil	160,737,000	19.04	democracy
Mexico	90,011,259	17.58	democracy
Philippines	72,000,000	16.20	democracy
Taiwan	21,979,444	8.12	democracy
N. Ireland	1,641,711	6.09	democracy
United States	272,691,000	5.70	democracy
Argentina	34,179,000	4.51	democracy
Hungary	10,245,677	3.53	democracy
Finland	5,088,333	3.24	democracy
Portugal	5,138,600	2.98	democracy
Mauritius	1,062,810	2.35	democracy (British)
Israel	5,261,700	2.32	democracy
Italy	56,764,854	2.25	democracy
Scotland	5,132,400	2.24	democracy
Canada	28,120,065	2.16	democracy
Slovenia	1,989,477	2.01	democracy
Australia	17,838,401	1.86	democracy
Singapore	2,930,200	1.71	dictatorship

Table 5: International homicide comparisons³¹

31 *International homicide comparisons* <http://www.guncite.com/gun_control_gcgvinco.html>

It is no surprise that democracies lead the world in crime statistics. Presumably, dictatorships, unrestrained by legal procedures and popular electoral pressures, can ruthlessly crack down on crime. If that doesn't work, they can suppress evidence of high crimes rates, issue phony statistics and ensure crimes committed by the state and its allies are defined out of existence. Nevertheless, we cannot casually dismiss these statistics. Democracies sure are violent places. Even though democracies afford their citizens the right to redress their grievances and collectively solve social problems associated with crime, for some reason many democracies cannot seem to prevent widespread crime.

Some high-crime states such as South Africa, Northern Ireland (U.K.), the Philippines and the United States have long histories of ethnic or religious tensions. At least some portion of the crime in these states can be attributed to democracy's inefficiencies at smoothing ethnic and religious tensions. Another major factor in high crime rates is drug prohibition. There are high crime rates in both high drug-consuming states (e.g. United States) and high-drug-producing or selling states (Colombia, Mexico). Though dictatorships have gleefully partaken in the War on Drugs over the years, drug prohibition was virtually invented by the democratic United States and America has been its leading advocate since 1914. Bringing the discussion full circle back to international violence — beyond increasing street crime, drug profits often flow to rebel or terrorist groups which control regions where coca leaf trees and poppies are grown. There is even the possibility that the United States prior to September 11, 2001 subsidized terrorism indirectly by funneling money for anti-drug efforts to the Taliban.

Undercounting democide: Rummel estimates that the democratic United States was responsible for the unjustified killing of 583,000 people in the 20th century, and possibly as many as 1,641,000 victims "all told". He writes, "virtually all of these were foreigners killed during foreign wars". While this is truly a horrific record, I contend that Rummel undercounts. The United States is also responsible for the combat deaths of its own soldiers. By and large, these soldiers were conscripted and forced to go overseas to fight wars. The only war in which the United States was attacked was World War II; however, prior to attack, its leaders were anxious to get in the war anyway, and there was a long history of mutual provocation between the United States and Japan, largely based on American's imperialistic designs on Asia. As indicated in table 6, in the last century 635,000 Americans died in battle or from battle. Adding U.S. combat casualties in foreign wars to Rummel's low estimate of U.S. democide, we can conclude that U.S. democide was actually 1,218,000 in the last century.

World War I	116,000
World War II	406,000
Korean War	55,000
Vietnam War	58,000
Total	635,000

Table 6: US soldiers killed in combat in 20th century

Supporting dictatorships: Paradoxically, democracies, especially the United States, have a long history of supporting dictatorship. The most murderous regime in history, the Soviet Union, was an ally of the United States during World War II. This was in spite of that regime's continuous history of mass murder and treachery since its founding in 1917. The United States supplied the Soviet Union with 15,000 aircraft, 7,000 tanks, 350,000 tons of explosives, and 15,000,000 pairs of boots. Nationalist China, history's fourth most murderous regime,³² also received substantial military supplies from the United States during World War II and thereafter.

These are the most odious examples of dictatorial regimes supported by the United States. Yet the list is long and includes the Shah of Iran, the House of Saud, Marcos in the Philippines, Pinochet in Chile, Somoza in Nicaragua, Mobutu in Zaire/Congo and the Duvalier family in Haiti.³³ In 1991, the United States went to war to reinstall a dictatorship in Kuwait and stave off an invasion of another dictatorship, Saudi Arabia. Granted many of these were allegedly for the purpose of fighting communism. However, the U.S. once was allied with communism to stamp out Nazism. More recently, the U.S. is allied with dictatorship in part to stamp out Islamic radicalism. The world's leading democracy always seems to have an excuse for supporting dictatorships.

Yet another way that democracies contribute to violence is by selling arms to dictatorships. Table 7 shows the top arms exporters. Table 8 shows the world's leading arms importers, including dictatorial United States ally, Saudi Arabia.

³² Rummel, *Death By Government* (Transaction Publishers, 1997) 123.

³³ Ted Carpenter, 'The United States and Third World Dictatorships: A Case for Benign Detachment' Cato Institute Policy Analysis 58, 15 August 1985.

Country	Form of government	Total
United States	democracy	123,380
Russia	democracy	41,954
France	democracy	34,646
U.K.	democracy	16,838
China	dictatorship	5,984
Germany	democracy	10,363
Italy	democracy	3,960

Table 7: Arms Agreements to the World, by Supplier, 1991-1996 (in millions of constant 1996 U.S. dollars)³⁴

Saudi Arabia	29,800
Egypt	6,300
Taiwan	4,900
Kuwait	4,400
S. Korea	3,800
China	3,000
Israel	2,400
Iran	2,300
U.A.E.	2,300
Malaysia	2,000

Table 8: Arms Transfer Agreements and Deliveries of Developing Nations, 1993-1996 (in millions of current U.S. dollars)³⁵

4. Empirical problems

Critics of the theory of democratic pacifism mount a frontal assault on the main contention that democracies do not fight each other. They list the following counterexamples: American Revolution (1776), Great Britain versus France (1793, 1795), War of 1812, Mexican War (1848), American Civil War (1861), World War I and several others.³⁶ The proponents of the theory respond by arguing that

³⁴ Congressional Research Service, *Conventional Arms Transfers to Developing Nations, 1989–1996*.

³⁵ Ibid.

³⁶ Thomas Schwartz and Kiron Skinner, ‘The Myth of Democratic Pacifism’ (1999) *Hoover Digest*.

these examples do not involve true democracies or that they represent unusual circumstances.

Joanne Gowa, after an exhaustive statistical analysis, concluded:

[T]he democratic peace is a Cold War phenomenon: that is, the available data show that the democratic peace is limited in time to the years between 1946 and 1980. A democratic peace does not exist in the pre-1914 world, and it cannot be extrapolated to the post-Cold War era. As a result, to the extent that U.S. foreign policy is based on spreading democracy abroad to enhance international stability, it rests upon very weak foundations.³⁷

5. *Democratic wars against dictatorships*

Democracies fight wars against dictatorships or imperial regimes, but these often begin in a questionable manner. The United States has always seemed to get attacked just when its leaders were plotting to drag the nation into war by any means possible anyway — for example Fort Sumter (*cassus belli* for American Civil War), the USS Maine (Spanish-American War) and the sinking of Lusitania by the Germans (World War I).

Examination of the international law quagmire that led to American involvement in World War I leads to the conclusion that the US had four options: declare war on Germany, declare war on England, declare war on both or mind its own business. Democracies, however, do not seem to mind their own business. What is clear is that the scope of American involvement in that war far exceeded anything justified by the alleged cause of that involvement: German attacks on American shipping in the North Atlantic. The United States was looking for any excuse to get into World War I against Germany. What about Japan, the attack on Pearl Harbor and the pretext for entering World War II? The United States wanted Japan out of China. American leaders wanted China in the hands of the mass murderer Chiang or the mega murderer Mao. An oil embargo was imposed on Japan even though it had little oil. Thus, the United States provoked Japan into starting a war.³⁸ That

37 Joanne Gowa, *Ballots and Bullets: The Elusive Democratic Peace* (Princeton University Press, 1999) 113.

38 Robert Higgs, 'How US economic warfare provoked Japan's attack on Pearl Harbor' (May 2006) *The Freeman*.

does not mean that Japan was justified, merely that it was, in its own mind, provoked. No democratic provocation, no war.

6. *Democratic regimes are unstable*

Yet another problem with the theory of democratic pacifism is the instability of democratic regimes. What good is having a democracy to promote peace if the regime ceases to exist? Germany, for example, went from democracy in 1918 to dictatorship in 1933 to launching the war of the millennium in 1939. Did German democracy promote peace? What was there about that democracy that allowed for the rise of Hitler? Democracies have been overthrown by dictatorships five times in 50 years in Pakistan. Apparently, many Pakistanis prefer dictatorship because the democratic politicians run the country so badly. Other democratic regimes overthrown by coups were Spain (1936), Czechoslovakia (1948), Guatemala (1954), Brazil (1964), Greece (1967), the Philippines (1972), Chile (1973) and Argentina (1976).³⁹ It is argued that the problem in such states is that the democracies are not “mature.” Once mature democracies are established, there will be peace. Surely that begs the question. If democracy only promotes peace when the culture in a nation has changed sufficiently to allow for a democracy to exist, then it is not the democracy which promotes peace, but the peace which allows a democracy to exist.

Democratic regimes are unstable economically as well as politically. Rummel cites the role of the market economy in promoting a society based on “negotiation and compromise”. He fails to confront the inherent instability of the democratic mixed economy demonstrated by Mises. As democratic states move away from the free market and toward socialism, there is no stopping point. Each intervention into the market generates problems that lead to pressures for ever greater intervention to remedy the problems caused by the initial intervention. For example, minimum wage laws cause unemployment; unemployment leads to more welfare payments; this causes taxes to rise; that lowers capital investment; lower investment reduces wages relative to taxes and leads to pressure for programs to subsidize the working poor such as food stamps, free medical care and free education. Eventually, the result is a completely socialized economy. A command economy eventually replaces a contract economy and the role of negotiation and compromise in social relations is drastically reduced.

39 Carpenter, ‘The United States and Third World Dictatorships: A Case for Benign Detachment’.

III. THE CAUSES OF DEMOCRATIC BELLICOSITY — MEANS AND ENDS

A. *The ends of war*

1. *Domestic political goals*

Modern democracies tend to extensively intervene in the free market by means of high taxes, welfare and subsidies in order to buy the votes that keep the politicians in power. As Mises demonstrated, each intervention into the economy causes problems that lead to demand for ever further interventions. Government thereby creates its own demand. Eventually, the economic problems become intractable, leading to the inevitable temptation to create a foreign policy distraction.⁴⁰ Combine that with the fact that war, while undeniably harming the economy, gives the appearance of stimulating the economy, and we have a formula for why democratic governments would have a motive for war.

The period surrounding the Great Depression suggests how wars might be used by politicians to distract from domestic problems. Franklin Roosevelt's New Deal had failed to bring America out of the Great Depression as late as 1941. Many believe that FDR welcomed American entrance into World War II to distract attention from his domestic policy failures or in the hope that the war would get the economy moving again. Such theories cannot definitively be proven. What cannot be denied is that on two fronts, FDR did a great deal to goad either Germany or Japan into attacking the United States.

Why did the United States fight a pointless war in Vietnam? One theory is that President Kennedy escalated U.S. involvement because he had accused President Eisenhower in 1960 of being 'soft' on communism. When Lyndon Johnson came to power, he had ambitious domestic plans for creating a "Great Society," and could not afford to lose political capital over the "loss" of another country to communism.⁴¹

2. *Special interest politics*

Special interest group politics is a flaw of democracy overlooked by Rummel.⁴² By focusing their efforts, votes, and campaign contributions, small segments of the

⁴⁰ Walter Karp, *Politics of War: the story of two wars which altered forever the political life of the American republic* (Franklin Square Press, 2010).

⁴¹ Interview with John McCone, former director of the Central Intelligence Agency <<http://globetrotter.berkeley.edu/conversations/McCone/mccone-con5.html>>

⁴² But not by Joanne Gowa, *Ballots and Bullets*, 23—24.

population can exercise influence on policy all out of proportion to their numbers. This is frequently seen in domestic policy. For example, the sugar lobby is responsible for the sugar quota which limits the amount of foreign sugar that can be imported into the United States. The result is billions of dollars in sales that benefit a few companies and their employees. Every other person in the country suffers. Because the people who gain, gain much, they are moved to lobby for this law. The people who lose, lose only a little, and thus do nothing to repeal the law.

Democracies feature all kinds of absurd laws and policies that benefit a few at the expense of everyone else. What is rarely remarked is that this special interest group analysis applies to foreign policy as well. For example, there are over 150 hundred million Arabs in the Middle East, mostly Muslims, and they have one billion coreligionists around the world. Arab countries have vast oil reserves. Yet, for over fifty years, United States foreign policy has favored the tiny state of Israel, much to the chagrin of these Arab and Islamic millions. This is a foreign policy most decidedly not in the interests of the average American. This policy has dragged the United States into every aspect of the running 50 old war over the Middle East. In addition to supplying massive military aid to Israel, American troops have shed blood nearby in Lebanon in a related conflict. Further, there is reason to believe that the terrorist attacks on September 11th were in part in retaliation for American support for Israel. As a result of those attacks, the United States is now at war in Afghanistan.

There are other examples of countries getting into wars to advance discrete private agendas. Ralph Raico writes that most Americans wanted the United States to stay out of World War I, except for the East Coast economic and social elite which had close business and social ties to England.⁴³ The US has engaged in military actions at the behest of private corporations that were foolish enough to invest in countries where property rights were not secure. The United States fought a major war in Kuwait and Iraq the only apparent reason for which was to preserve an oriental despotism. Surely, the actual reason was to protect certain discrete private interests in oil in Kuwait and Saudi Arabia. From any practical point of view, the dispute did not concern the average American in the slightest. They would buy their gasoline as usual at the pump at prices set by the vagaries of the world oil market regardless of which crooked Middle East politician sold the rights to oil (he had previously stolen) to some private company. Once again, war was fought by a democracy to advance a special interest.

43 Raico, 'American Foreign Policy—The Turning Point, 1898—1919' 66.

3. *Messianic goals*

Democracies are vulnerable to messianic crusades. Democratic politicians have a sense of moral superiority which impels them to reform other nations just as they seek to reform their own citizens and societies. Woodrow Wilson is the foremost example of this spirit: “America is henceforth to stand for the assertion of the right of one nation to serve the other nations of the world”.⁴⁴ The temptation to add, “. . . whether they like it or not,” is irresistible.

Two of the most important wars in modern history were fought in part to advance democratic principles. In the case of World War I this is well known. As Hoppe explains, the United States’ intervention into that war was the catastrophe of the 20th century:

If the United States had followed a strict non-interventionist foreign policy, it is likely that the intra-European conflict would have ended in late 1916 or early 1917 as the result of several peace initiatives, most notably by the Austrian Emperor Charles I. Moreover, the war would have been concluded with a mutually acceptable and face-saving compromise peace rather than the actual dictate. Consequently, Austria-Hungary, Germany and Russia would have remained traditional monarchies instead of being turned into short-lived democratic republics. With a Russian Czar and a German and Austrian Kaiser in place, it would have been almost impossible for the Bolsheviks to seize power in Russia, and in reaction to a growing communist threat in Western Europe, for the Fascists and National Socialists to do the same in Italy and Germany. Millions of victims of communism, national socialism and World War II would have been saved. The extent of government interference with and control of the private economy in the United States and in Western Europe would never have reached the heights seen today. And rather than Central and Eastern Europe (and consequently half of the globe) falling into communist hands and for more than forty years being plundered, devastated, and forcibly insulated from Western markets, all of Europe (and the entire globe) would have remained integrated economically (as in the nineteenth century) in a world-wide system of division of labor and cooperation. World living standards would have grown immensely higher than they actually have.⁴⁵

44 Ibid 65.

45 Hoppe, Introduction to *Democracy: The God That Failed*, <<http://mises.org/library/introduction-democracy-god-failed>>

Woodrow Wilson called it the war “to make the world safe for democracy”. We have heard this refrain over and over again as the rationalization for war: in Korea, Vietnam and the Balkans. Lincoln explicitly justified the bloody Civil War as a war to save majority rule.

4. *Imperialism*

Oftentimes, democracies end up in wars that were seemingly started by non-democracies. The United States ostensibly got involved in World War II because of the Japanese attack on Pearl Harbor. The reality is more complex. What was in dispute was which nation would be the dominant power in East Asia. America had staked its imperial claim 43 years earlier by going to war with Spain. Subsequently, America seized the Philippines from the natives. Japan invaded China in 1937. America applied diplomatic and economic pressure on Japan and demanded that Japan leave China. An oil embargo was imposed. Japan responded by seizing the oil fields of Malaysia and, anticipating American opposition, struck Pearl Harbor. The genesis of the conflict, however, was America’s (democratic) imperial designs on East Asia.

B. *The means of war*

Analysts of war spend too much time thinking about why wars are fought and too little time contemplating the means of war. The resources for war are acquired by conscription, taxation, confiscation and inflation. Without cannon and cannon fodder, there are no wars. In modern times, politicians neither fight nor pay for the wars they start or join. With their aura of legitimacy, democracies are particularly adept at utilizing all these means. Since citizens tend to identify with the democratic state, there is usually little trouble conscripting troops and confiscating the economic resources required for war. Perhaps this is why democracies tend to win the wars they fight.⁴⁶ War is the health of the state, but the democratic state is also the health of war.

True, dictatorships also seem to be able to secure the resources necessary for war. Yet, our analysis is not so limited. We must also consider the ability of self-government and republics to secure these resources. Regimes of self-government obviously have no taxation or conscription. Anyone wishing to go to war must

⁴⁶ James Lee Ray, ‘Does Democracy Cause Peace?’ (1998) 1 *Annual Review of Political Science* 27-46

convince others to contribute money or troops. Generally speaking wars are not profitable activities. The United States expended huge amounts of money fighting its major wars. It was able, however, to force its citizens to pay for these wars against their will by means of taxation, inflation⁴⁷ and conscription.

Theoretically, private groups could still fight wars for economic or other motives. Possibly, they could perceive these goals as outweighing the costs. Still, they would have to calculate whether they could achieve their goals more cheaply through trade or other peaceful means. It is difficult to conceive of a privately-funded war for natural resources that would be cheaper than simply buying them in the market. Further, the warriors would face the prospect of being ostracized for their violent acts, or losing the war and being annihilated. All in all, under self-government, frequent or wide-scale wars would be extremely unlikely.

Republics also discourage war. Republics differ from democracies in that they rely on militias not conscription for defense. The militia system is a powerful deterrent to invasion. To achieve victory, an invading army, with long supply lines, must subdue the entire able-bodied male population, fighting in their own backyards. As the Civil War demonstrated, it is a mistake for the invaded state to gather up its men into standing armies, and then go confront the invading army in set-piece battles in which the defenders are outnumbered. Militia and guerilla tactics would probably have carried the day. Conversely, militias are poor offensive weapons. They therefore discourage aggressive or imperialistic wars. They also thereby discourage preemptive strikes by other states that would otherwise fear invasion. Financially, republics have little or no taxation with which to fund aggressive war. Aggressive war lies beyond their constitutional mandate and the pursuit of such a war is likely to be resisted internally by well-armed citizens. Pure republics are unlikely to start wars, or lose them.

The imperial impulse springs mainly from the power elite; ordinary people are less interested in conquering far-off places. The problem is members of modern power elites are rarely interested in doing any actual fighting. Nor can a republican militia do the fighting. Thus, the elites turned inevitably to conscription, a concept alien to a free society. A brief survey of the history of American conscription shows its close link to imperial aims. Conscription was first proposed in the War of 1812

47 Inflation is a form of theft whereby the state, having arrogated to itself the right to monopolize the production of money, increases the amount of money and spends that new money, raising prices and thereby decreasing the value of the money privately-held. Murray Rothbard, *What has government done to our money?* (Ludwig von Mises Institute, 2010).

to provide troops to invade Canada. It was defeated in Congress. Conscription, opposed by New England in 1812, was supported by New England in 1863 to provide the Union with troops to invade the South. Citizens were conscripted to fight in Europe in 1917—18. Troops were conscripted to fight in Europe and Asia in 1941—45. Troops were conscripted to fight in Korea and Vietnam.

IV. COMPARING THE REGIME TYPES

From the above discussion, we can now rank each regime in accordance with the degree to which it achieves peace, foreign and domestic:

1. Self-government
2. Republics
3. Democracy
4. Dictatorship

Self-government is based on the notion that compelling an individual to join a political society against his will is a violent and immoral act. The theory of self-government does not allow for any offensive political violence whatsoever. This is not to say that aggressive or offensive violence will not occur under this system, merely that it is not sanctioned by the theory itself. In theory, self-government is the most peaceful form of political organization however little empirical evidence exists to confirm this. The reason for this is that by the time the theory was originated — no earlier than the mid-nineteenth century, and with greater force and frequency in the past forty years — the modern nation-state system was fully developed and nearly intractable. The state tends to grow, not contract, let alone cease to exist!

Four or five hundred years of statecraft and indoctrination have made the viability of self-government unthinkable to the masses. The popular mind laughs at the prospect of self-government, but is absolutely certain that the modern state, which pointlessly killed 200 million people in the last century,⁴⁸ and is off to a fast start in this one, can guarantee peace and harmony. Though self-government has yet to prove itself in action, what cannot be denied is that it is the only political system which leaves the laboratory of the mind without incorporating aggressive violence into its very structure. In contrast, the state system is aggressively violent in both theory and reality, producing a stream of grotesquely brutal episodes,

⁴⁸ R. Rummel, *Death by Government* 13.

murdering hundreds of millions of people it was allegedly designed to protect, setting back human progress centuries, and destroying modern man's peace of mind in ways he may never fully understand. In today's world, in large part the product of the rise of democratic states, tranquillity is a state of mind best achieved by the ingestion of tranquilizers.

All other forms of government do sanction political violence, to greater and lesser degrees. But of the other forms, republics sanction the least amount. It is true a republic would insist on a monopoly of the use of legal power to resolve disputes. Beyond that however, the republican form is consistent with peaceful relations in virtually every other area of life. It is even conceivable to have a republic that lacks the power to tax.⁴⁹ Even in a republic which could tax, taxes would be limited to payment for narrowly circumscribed functions such as the courts, police and national defense. Even there, since republics rely on the militia system, defense costs are greatly reduced, as is the risk of war, as other states are assured that a republic will not launch an invasion with a standing army. As van Creveld observes:

Once the modern state started introducing regular, standing armies and navies, the situation changed. . . . Almost for the first time in history, there now existed forces that received their entire incomes from the state . . . Increasingly excluded from participation in political life, gradually of other functions such as police work, and deliberately isolated from civilian society, they possessed unprecedented freedom to devote their full attention to discovering new and better ways of killing and destroying others of the same kind.⁵⁰

Democracies are the next most peaceful form of government. That democracies are generally less violent than dictatorships is a fact that Rummel unduly celebrates. The problem is that Rummel's continuum of regimes runs from democracy to authoritarian to totalitarian. He simply ignores the possibility of self-government and the pure Lockean republic. In spite of their advantage over dictatorships, democracies in fact tend to be aggressive, imperialistic, and warlike. These tendencies provoke terrorism, which in turn provokes further foreign intervention, and

49 James Ostrowski, 'A 21 Trillion Dollar Tax Cut' 20 March 2001 <<http://mises.org/library/21-trillion-tax-cut>>

50 Martin van Creveld, *The Rise and Decline of the State* (Cambridge University Press, 1999) 250-251.

more terrorism, in an endless circle of violence. At the same time as they are aggressive abroad, they continually grow domestically in power, scope and size at the expense of property rights and liberty. They stir up ethnic and religious hostilities by pushing towards one way of life for all groups, whether the politically weaker groups like it or not. Though in theory a democracy could choose to be libertarian, establishing a minimal state limited to protecting individual rights and private property, this is a faint hope. The realistic view is that there is an unavoidable tension between individual rights and democracy. If individuals are to be allowed to own themselves and do what they wish with their justly acquired property, what exactly is the role of the “will of the people” or the majority or the legislature? Either these democratic mechanisms will rubber stamp those rights, in which case these mechanisms are superfluous, or they will overrule those rights, in which case democracy becomes the enemy of libertarian rights and therefore, an enemy of peace.

The *modus operandi* of democracies is closer to that of dictatorships than with self-government or republics. Though these regimes differ in the manner that leaders are selected, they differ little in the manner in which they relate to their individual subjects on a daily basis: both regimes impose their will by force. True, most democracies have in storage pieces of paper with words printed on them (constitutions) which supposedly limit the amount of force they can use. Alas, as Orwell taught us, words can mean virtually whatever we want them to mean.⁵¹ At the end of the day, the democratic state has the most powerful dictionary: the standing army. Other similarities include: conscription, the use of centralized power to control vast areas of social and economic life and the ability to confiscate a large portion of the resources of their societies. Democracies and dictatorships actively cooperate to suppress republican and self-governmental impulses such as secession and private ownership of arms.

While democracies tend to be less warlike than dictatorships, their relationship with dictatorships is complex and disturbing. They itch to fight with dictatorships while also forming alliances with them and providing them vital military supplies and economic aid (e.g. Soviet Union, China). They even covertly assist in overthrowing other democracies to install dictatorships they believe will advance their interests.

On the plus side, they do tend to murder their own citizens less than certain dictatorships have been known to do. This is hardly anything to brag about,

51 Henry Mark Holzer, *Sweet Land of Liberty? The Supreme Court and Individual Rights* (iUniverse, 2000).

however. I would not brag that I am a better basketball player than the Pope. Democracies have, however, killed massive numbers of their own citizens by starting or stumbling into wars and conscripting troops to fight them. Democracy is not the best form of government for preventing democide. That distinction goes to republics and self-government. By emphasizing the right to bear arms, banning conscription, minimizing conflict through the free market and free association, and starving the state of its aggressive powers and confiscated resources, republics and self-government offer our best hope of minimizing domestic death by government.

Ultimately, the theory of democratic pacifism contains a dangerous contradiction:

- Democracies do not fight each other
- If all states were democracies, there would be no war
- War is bad; peace is good
- Not all states are democracies
- Non-democracies are resistant to internal change
- The goal of world peace requires that the democracies go to war with the non-democracies to make them peaceful.

Proponents of the theory, of course, will reject the last premise, but cannot deny that it is an accurate description of much past history.

What is urgently needed is a theory of pacific regimes that does not require that the whole darn world be of a certain type. This paper presents such theories. Both self-government and republics, virtually devoid of aggressive ends and means, are far more likely than democracies are, to peacefully co-exist with dictatorships.

Dictatorships are the most violent form of government. They earn this distinction, not internationally, but domestically, because of their tendency to murder their own subjects. They do not exist in a vacuum, however. They usually use hostile democracies to justify their police state tactics. They often commit their democide during the chaos and fog of wars which democracies had a hand in starting.

Ironically, in spite of their miserable record, dictatorships, or perhaps a form of democratic totalitarianism, may be the wave of the future. One of the lessons taught to us on September 11 has yet to be fully understood. Due to the ever-increasing dispersal of scientific and engineering knowledge, individuals now for the first time in history can inflict tremendous physical damage on states and

societies. This new fact challenges the viability of states which purport to possess a monopoly on the use of force.

There appear to be two possible approaches to deal with this new reality. First, we could establish a totalitarian police state in which all human behavior is closely monitored at all times to ensure that no one abuses his technological powers. The problem with this approach is that the cure is worse than the disease. Presumably, most people would rather live in freedom for their entire lifetimes, even with the possibility of an occasional catastrophic terrorist attack, than spend their entire lives living in the novel *1984* or on the Gulag Archipelago. The other alternative is more constructive. It focuses not on preventing attacks already planned, but on creating societies which do not produce terrorists or engender terrorism in the first place. It is evident that only a radical transformation of human society's attitude toward the use of force can hope to achieve these goals. Terrorism is the melodramatic use of force to achieve political goals. Terrorism flourishes in an environment which features the widespread use of banal force to accomplish political goals and the widespread advocacy of the use of force to improve human life (the theorists of democratic pacifism are correct in this respect: regimes do impact social mores.) An inescapable aspect of such an environment is a large number of people who have been the victims of violent state action. The natural resentment this causes creates a ready army for terrorism.

The pursuit of peace requires that we renounce the use of aggressive political force to achieve our goals. This would limit the use of force to self-defense or perhaps the modest amount of force required to maintain a minimal state republic. More than this can no longer be justified or tolerated. More than this now threatens our civilization and our survival.

In the end, the question is not does democracy promote peace, but does the modern state with its democratic and dictatorial variants promote peace? That question has been answered.

V. CONCLUSION

There are numerous theoretical and empirical problems with the superficially appealing theory of democratic peace. Power kills and democratic states are quite powerful. The most powerful democratic states have been quite bellicose. Naturally, they have killed many, both internally and externally. Many of the pacific elements of democracies are in fact accidents: not essential elements of democracy but rather

hangovers from a more republican past. It is a mistake to focus on inter-democratic state violence when what really plagues the world is:

1. violence between democracies and non-democracies that democracies often provoke
2. violence within democratic states
3. the symbiotic relationships between dictatorships and democracies
4. the instability of democracy

Democracies are implicated in the three main threats to world peace today: terrorism, nuclear war and ethnic/religious conflict. Democratic pacifism fails to explain how we can achieve world peace and the theory itself continues to cause war! It is literally an intellectual dead end.

We have every right to be skeptical about the world's desire for peace. How does one reconcile this purportedly sincere and intense desire for peace with the utter lack of interest in defining the term? If you don't know where you are going, you are unlikely to get there save by accident. My suspicion is, even if the world pondered the question and was inexorably drawn to the common sense definition of peace proffered herein — the absence of violence or the palpable threat of violence against persons and their property — most people and most politicians and most intellectuals would recoil in horror at the prospect of such a world. It's not that these people don't like peace in general terms; it's just that there are many things they value more highly. Many of these things can only be achieved by the use of democratic violence or the palpable threat of democratic violence against persons and their property. That is why we live in such a violent world. We are lying in the bed we have made. Most people don't want peace, not really. If they did, it could be achieved without enormous difficulty since "There is no way to peace; peace is the way."

This paper was written in 2002, before the American/British democratic invasion of Iraq with its sequela of democratically-induced violence, terrorism and ethnic and religious conflict.

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MARCUS M. WITCHER

Two Visions, One Future: How Neoconservative Preemptive War Isolated Libertarians

ABSTRACT: Neoconservatism, with its emphasis on an assertive United States foreign policy, became politically prominent during the Reagan presidency and later during George W. Bush's administration. In the wake of Iraq, libertarians and non-interventionist conservatives have called for a rethinking of American foreign policy and an end to preemptive military strikes. The candidacy of Ron Paul and the rise of the liberty movement are currently seen as outside of the conservative mainstream. Paul's view favouring non-interventionist foreign policy, however, is not an aberration. In fact it has deep roots in the American conservative intellectual tradition. The paper analyzes the rhetoric between neoconservatives and libertarians leading up to and after the invasion of Iraq, demonstrates the deep division in American conservatism and explains the rise of the liberty movement in the United States.

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After the fall of the Berlin Wall and the collapse of the Soviet Union, the United States of America emerged as the world's hegemon. The role that it should play internationally, however, was unclear. Debates raged between Republicans and Democrats over how involved the United States should be around the world. In

fact, even within the Republican Party there was no consensus as to what should shape foreign policy. Neoconservatives and libertarians argued throughout the 1990s and early 2000s about the role of the United States around the world. The ascendancy of neoconservative foreign policy in 2001 under President George W. Bush and his administration isolated libertarians leading many of them to break from the party.

The neoconservative element within the Republican Party wasted no time in presenting their vision for America in a post-Cold War world. In March of 1992 a document coauthored by the U.S. Undersecretary for Defense for Policy Paul Wolfowitz and his assistant Lewis “Scooter” Libby was leaked to the press. The document called for the preservation of the United States as the only superpower in the world. Furthermore, it called for the disregard of collective action in foreign policy and claimed that the U.S. might need to take preemptive action to “prevent the development or use of weapons of mass destruction.” Such preventative action included “pre-empting an impending attack with nuclear, chemical or biological weapons”. Wolfowitz would go on to become the Deputy Secretary of Defense under President George W. Bush and his vision of a hegemonic United States would become the basis for the Bush Doctrine – known for its characterization of war between an enlightened West and radicals who desire to destroy the United States.⁵²

Wolfowitz was not alone in promoting intervention into various regions throughout the world in order to secure the United States’ interests. During the 1990s, other leading conservative intellectuals holding similar beliefs to Wolfowitz began to call for the removal of Saddam Hussein from Iraq. Many of these intellectuals and government officials were part of an emerging neoconservative element of the Republican Party that decried leaving Hussein in place after the first Gulf War. *The Weekly Standard* on November 16, 1998 – exactly a month before Operation Desert Fox was to be carried out – published a piece that called for the U.S. to “complete the unfinished business of the 1991 Gulf War and get rid of Saddam.”⁵³ The article also claimed without inspectors in Iraq Hussein was just months from acquiring weapons of mass destruction and missiles that could reach

52 Patrick J. Buchanan, *Where the Right Went Wrong* (New York: Thomas Dunne Books, 2004), 42-44.; Patrick E Tyler, “U.S. Strategy Plan Calls for Insuring no Rivals Develop” *New York Times*. March 08, 1992.

53 Operation Desert Fox was a four day strategic bombing campaign conducted by the U.S. under President Clinton against Iraq. At the time many conservatives criticized the campaign for not doing enough but there is now evidence that the operation was successful at disrupting the Hussein Regime and did significantly weaken Iraq.

Israel. The piece concluded “that the world will never be safe, and U.S. interests and allies will never be secure, so long as Saddam is in charge in Baghdad.”⁵⁴

The neoconservative founder and editor of *The Weekly Standard* William Kristol used his publication throughout 1998 to call for U.S. intervention in Iraq. Furthermore, Kristol, along with Robert Kagan – another neoconservative – formed Project for a New American Century (PNAC). The think tank asserts that the U.S. must have “a military that is strong and ready to meet both present and future challenges; a foreign policy that boldly and purposefully promotes American principles abroad; and national leadership that accepts the United States’ global responsibilities.”⁵⁵

With the success of Operation Desert Fox unclear, neoconservatives continued to push for the removal of Saddam Hussein. Iraq was closed off from the West and the inability to confirm or deny reports of Hussein’s nuclear, biological, and chemical buildup made some uneasy. The neoconservatives continued to call for military action in Iraq. As the Clinton Administration was entering its final year, Gary Schmitt (the president of PNAC) wrote an article for *The Weekly Standard* that praised the work of Laurie Mylorie, a member of the American Enterprise Institute. The article reviewed her book *Study of Revenge: Saddam Hussein’s Unfinished War against America*. In the book, Mylorie claimed that Hussein had played a role in coordinating the 1993 bombing of the World Trade Center.⁵⁶ Accepting this as truth, Schmitt turned the argument against the Clinton administration claiming that they did not investigate the links between the terrorists and Baghdad because they feared being forced into a conflict. Schmitt concluded that “for Saddam Hussein, the Gulf War never ended.” He continued to say that “coming to terms with that fact would require the American government to take steps to remove him and his regime from power.” Neoconservatives, including PNAC, would challenge the Clinton administration on Iraq and would be a political force in the Bush White House.⁵⁷

54 ‘How to Attack Iraq’ (16 November 1998) 4 *The Weekly Standard*.

55 Project for a New American Century, *Statement of Principles* <<http://www.rrojasdatabank.info/pfpc/PNAC---statement%20of%20principles.pdf>>.

56 After the invasion of Iraq in 2003, documents were obtained that demonstrated that Saddam Hussein had nothing to do with the attack on the World Trade Center in 1993. Indeed, Hussein had imprisoned the terrorist that Mylorie claimed to be an agent of the Iraqi dictator. Eli Lake, ‘Report Details Saddam’s Terrorist Ties’ *The New York Sun*, 14 March 2008.

57 Gary Schmitt, ‘State of Terror: War by Any Other Name’ (20 November 2000) 6 *The Weekly Standard* 34.

While President Bush enjoyed the support of a wide range of small government advocates upon taking office, over twenty members or signatories of PNAC held positions in his administration. Among the most prominent of these were Dick Cheney, Donald Rumsfeld, John Bolton, Richard Perle and Paul Wolfowitz. Despite the heavy presence of neoconservatives in the administration, President Bush was initially satisfied with pursuing his predecessor's policy in Iraq. This course of action should come as no surprise. After all, Bush had run a campaign based almost entirely on domestic concerns. In the first months of his presidency, President Bush outlined his position concerning Iraq: "We will continue to enforce the no-fly zones. The no-fly zones are enforced on a daily basis. It is part of a strategy, and until that strategy is changed, if it is changed at all, we will continue to enforce the no-fly zone."⁵⁸

President Bush's support of the status-quo in America's relations with Iraq gained him little support within conservative ranks. The neoconservatives continued to make the case against Hussein while, libertarians – hoping that a new administration would bring a new policy – called for a rethinking of the Iraqi containment. Doug Bandow, a senior fellow at the Cato Institute, published an article in *The Freeman* in June 2001 that demanded an end to the United States' failed policy in Iraq. Bandow called for an end to the no-fly zone, for an end to sanctions in exchange for inspections and an import-control regime that would limit Iraq's capabilities to manufacture weapons of mass destruction. Furthermore, Bandow suggested that the U.S. should quit spending money and "outwait a much weakened Iraq" and that the U.S. should expect its allies in the region to build up their own militaries to contain Hussein. Bandow's libertarian perspective, with its emphasis on diplomacy, trade, and limited military engagement, contrasts sharply with what PNAC and members of the Bush Administration had in mind.⁵⁹

The likelihood of the U.S. reversing its policy towards Iraq in a manner that would have satisfied Bandow was highly unlikely. Three months later, in the wake of the terrorist attacks on September 11, 2001 such ideas would have appeared fanciful and potentially dangerous. After 9/11 the Secretary of Defense Donald Rumsfeld was determined to ensure that America was ready to meet any threat. At 2:40 on the afternoon of September 11, after some intelligence linking Osama bin Laden to the attacks reached Rumsfeld, the secretary ordered that the military work on strike plans. Rumsfeld continued in the same breath to say: "Judge

58 Quoted in Doug Bandow, 'Bombing Without End: It's Time to Transform U.S. Policy towards Iraq' (June 2001) 51 *The Freeman*.

59 Ibid.

whether [the intelligence is] good enough to hit S. H. at the same time. Not only UBL.” Rumsfeld’s comments about Hussein – just hours after the Pentagon was attacked – indicate how large of a threat the neoconservatives within the Bush Administration perceived Hussein to be.⁶⁰

After 9/11, PNAC wasted no time writing President Bush to guarantee him the group’s support. Their letter dated September 20, 2001 outlined the critical fronts on the war on terror. Osama bin Laden received two sentences, while Iraq received three times the amount of ink. According to PNAC, “even if evidence does not link Iraq directly to the attack, any strategy aiming at the eradication of terrorism and its sponsors must include a determined effort to remove Saddam Hussein from power in Iraq.” The letter argued that “failure to undertake such an effort will constitute an early and perhaps decisive surrender in the war on international terrorism.” President Bush, whose administration was filled with individuals who held similar sentiments towards Iraq, was forced to take the threat of Hussein seriously.⁶¹

President Bush confirmed his administration’s commitment to fighting potential threats to America’s security in his 2002 State of the Union speech. Bush argued that a new ‘Axis of Evil’ threatened the United States. North Korea, Iran, and Iraq posed a particularly daunting threat. Bush spoke about North Korea and Iran briefly but focused his attention on Iraq. According to Bush, Iraq was supporting terrorists. Furthermore, Hussein desired to develop anthrax, nerve gas and nuclear weapons. Bush cited the crimes that Hussein had committed against his own citizens “leaving the bodies of mothers huddled over their dead children”. Bush condemned Iraq’s refusal to allow international inspectors into the country and declared that Iraq “has something to hide from the civilized world”.⁶² After this speech, it was clear that the Bush administration intended to take military action – unilaterally if necessary – to remove Hussein.

In January 2003, *Reason Magazine* published an article entitled ‘Should We Invade Iraq?’ The article pitted a libertarian writer, John Mueller, against a neoconservative, Brink Lindsey. Lindsey, the Cato Institute’s Vice President of Research, argued for intervention in Iraq while Mueller argued against the war. Mueller opened the article by outlining the weakness of Hussein’s military and

60 Joel Roberts, ‘Plans for Iraq Attack Began on 9/11’, *CBSnews.com*, 10 September 2009 <<http://www.cbsnews.com/news/plans-for-iraq-attack-began-on-9-11/>>

61 Letter from PNAC to President George W. Bush, 20 September 2001 <<http://www.globalresearch.ca/articles/NAC304A.html>>.

62 George W. Bush, *State of the Union Address* (2002) <<http://www.americanrhetoric.com/speeches/stateoftheunion2002.htm>>

the weakness of his regime. Mueller argued that any conflict with the West would undermine Hussein's control over the nation and thus it was unlikely that Hussein would attack the United States. Furthermore, Mueller pointed out that Hussein's military was weak and unable to strike the U.S. even if Hussein was irrational and intended to attack. Mueller conceded however that an argument for war in Iraq based on humanitarian principles might have some traction. But the calls for war in Iraq were not humanitarian in nature. According to Mueller, the calls for war "raise alarms about vague, imagined international threats that, however improbable, could conceivably emanate from a miserable and pathetic regime".⁶³

Lindsey countered Mueller's claim that war with Iraq was unjustified. Lindsey claimed that Hussein had pursued weapons of mass destruction for years and that Hussein had attempted to strike the U.S. on multiple occasions. Lindsey, challenging Mueller's skepticism of the urgent need to go to war in Iraq, claimed that Iraq would be another North Korea with respect to weapons of mass destruction if the U.S. did not act quickly and decisively. Lindsey declared that it was critical that the U.S. remove Hussein especially in light of 9/11. According to Lindsey Americans had few options, "either we crush radical Islamism's global jihad, or thousands, even millions, more Americans will die." Lindsey claimed that Iraq might arm al Qaeda and that war was necessary to preservation of American security.

The *Reason* article demonstrates the divide between conservative intellectuals. Lindsey's views reflect the neoconservative position while Mueller's view represents the traditional view of most libertarians and most Republicans prior to the Cold War.⁶⁴ Neither writer, however, touched on the cost of the war in Iraq or the potential consequences the war would have for Americans' civil liberties. These two reasons for opposing the war in Iraq were at the center of libertarian opposition.

Economics was at the center of libertarian opposition to intervention in Iraq. Just months into the war, Congressman Ron Paul – who had voted against the *Authorization for Use of Military Force Against Iraq Resolution of 2002* – wrote an article for antiwar.com. Paul warned that if the U.S. were to maintain its presence

63 Brink Lindsey and John Mueller, 'Should We Invade Iraq?' (January 2003) *Reason Magazine* <<http://reason.com/archives/2003/01/01/should-we-invade-iraq>>

64 Prior to the Cold War most Republicans were opposed to military intervention abroad. Many were even opposed to the United States getting involved in World War II. The Republican Party during the 1940s was led by Robert Taft whose brand of fiscal conservatism and noninterventionism resembles many themes in modern libertarian thought. For more on the evolution of the Republican Party's foreign policy consult Colin Dueck's *Hard Line: The Republican Party and U.S. Foreign Policy Since World War II* (Princeton University Press, 2010) and Murray Rothbard's *Betrayal of the American Right* (Ludwig von Mises Institute, 2007).

in Iraq beyond 2004, as President Bush had indicated, “American taxpayers easily could spend one trillion dollars over the coming years”. In order to pay for the war, Paul declared that the government would have to borrow the money, raise taxes, or turn to the printing press. Paul questioned what conservative would support such options – after all many conservatives oppose higher taxes. Paul continued to demonstrate how the money already sent to Iraq was being used to build infrastructure and remake Iraqi society. Paul condemned such nation building decrying that Americans “will pay for housing, health care, social services, utilities, roads, schools, jails and food in Iraq, leaving American taxpayers with less money to provide these things for themselves at home”.⁶⁵ The distinction between elements in the conservative movement is sometimes blurry, but the Iraq war was beginning to more obviously isolate the libertarian members of the small government coalition that supported George W. Bush in 2000.

Early in 2004 David Kay, the chief weapons inspector of the Iraq Survey Group, quit. Kay had been placed in charge of finding Hussein’s weapons of mass destruction. In an interview, Kay said that he did not believe weapons had been mass produced since the first Gulf War.⁶⁶ Kay’s admission that there had been few or no weapons of mass destruction damaged President Bush’s credibility. In light of the reports that no such weapons were likely to be found, Bush found himself in a compromised position. In his autobiography, President Bush describes what the failure of finding the weapons meant: “This was a massive blow to our credibility – my credibility – that would shake the confidence of the American people”.⁶⁷

The blow to the Bush Administration was also a blow to neoconservatism. Robert Kagan and William Kristol realized that support for the Iraq war was waning by early 2004. Kristol had co-authored with Lawrence Kaplan *The War Over Iraq: Saddam’s Tyranny and the American Mission*, which had explained the importance of invading Iraq and overthrowing Hussein. Kagan and Kristol joined forces in February 2004 to form a justification for the war despite the realization that Hussein’s weapons of mass destruction did not exist. *The War Over Iraq* began by explaining that while weapons of mass destruction were “a key part of the case for removing Saddam” they were not the only justification for U.S. intervention.

65 Ron Paul, ‘Your Money In Iraq’ *Antiwar.com* 30 September 2003 <<http://www.antiwar.com/paul/paul78.html>>

66 Peter L. Hahn, *Mission Accomplished?: The United States and Iraq Since World War I* (Oxford University Press, 2012) 154; BBC News, ‘US Chief Iraq Arms Expert Quits’ 24 January 2004 <<http://news.bbc.co.uk/2/hi/americas/3424831.stm>>; Tom Brokaw, ‘David Kay: Exclusive Interview’ NBC News, 26 January 2014 <<http://www.msnbc.msn.com/id/4066462>>

67 George W. Bush, *Decision Points* (Crown, 2010) 262.

Kagan and Kristol emphasized that Hussein was aggressive, tyrannical, and defiant towards international decrees. They emphasized how Hussein brutalized his own people and declared that there was a humanitarian justification for the war.⁶⁸

As the 2004 election drew closer, libertarians were left with the difficult question of who to support. With the presidential election approaching, many libertarians determined that supporting the Democrats might maximize freedom more so than voting for President Bush. Early in the Democratic primary, a libertarians-for-Howard-Dean blog site was created. Furthermore, several prominent libertarians were reported to at least be considering voting for Governor Howard Dean over Bush. Those who publically announced that they might defect from the conservative Cold War coalition were *Reason Magazine* assistant editor Julian Sanchez and Cato Institute senior fellow Gene Healy. If nothing else, such defections demonstrate a frustration with the Bush administration among influential libertarians.⁶⁹

In an article for *Reason Magazine*, Jacob Sullum outlined his reasoning for voting for Dean. Sullum argued that Democratic administrations had actually resulted in more “fiscal responsibility, free trade, competitive markets and neoclassical microeconomics”. The article explained that this was in large part due to the unwillingness of Republican congresses to vote for the Democrats’ agenda, whereas those same Republicans were more than willing to vote for increased spending when requested by a Republican president. One reason to vote for Dean was to create a balance of power in Washington. Sullum claimed that a mass defection from the GOP might improve libertarians’ standing within the conservative community. When a libertarian voted for a Democrat, Sullum explained, their vote actually counted as two because they took one vote away from the Republicans and added one to the Democrats. Therefore, at least in theory, “in close elections, a willingness to coalition jump may make the libertarian swing vote enough of a prize that candidates become, at the least, afraid of alienating us too severely”.⁷⁰ Dean did not win the Democratic nomination in 2004. Instead, John Kerry emerged from the primary process victorious. Kerry however, did not have the same appeal to libertarians. While some libertarians did vote for Kerry over Bush, there was no concerted effort to swing libertarians to the Kerry camp.

68 Robert Kagan and William Kristol, ‘The Right War for the Right Reasons’ (23 February 2004) 9 *The Weekly Standard*.

69 W. James Antle III, ‘Conservative crack up: Will Libertarians Leave the Cold War Coalition?’ (17 November 2003) *The American Conservative*.

70 Jacob Sullum, ‘Attack of the Dean Leainers: The Libertarian Case for the Democrats’ (14 October 2003) *Reason Magazine*.

Libertarian support for the Republican ticket decreased considerably in 2004. In 2000, Bush won the libertarian vote by 52%. In 2004, the polls reflected libertarian frustration; Bush won the libertarian vote by just 21%. Libertarians demonstrated their animosity with Bush's policy in Iraq by either not voting or casting a ballot for Senator Kerry.⁷¹ Despite a tough challenge, Bush won reelection and the war in Iraq continued. The war in Iraq languished on until 2007 when Bush increased the number of troops in the country. This tactic known as the surge is widely credited for creating relative stability in Iraq, although some libertarians such as Ivan Eland credit stability to unrelated factors.⁷² Despite the political success of Bush in convincing large numbers of the public that the surge worked, Americans grew tired with the war and Bush's popularity was extremely low when he left office.

In the 2008 Republican primary, disgruntled libertarians found a voice in the candidacy of Ron Paul. Paul, who had criticized the war in Iraq from its inception, campaigned on the promise of bringing the troops home from Iraq. In a debate in Florida in October of 2007, Paul was booed for declaring that the U.S. should quit nation building and leave Iraq. When Paul was asked if he had left the Republican party or if the party had left him, Paul answered that the Republican Party under George W. Bush neoconservatives had abandoned the Constitution. Paul reminded the audience that Eisenhower had been elected to end the Korean War, that Nixon had won in 1968 and George W. Bush succeeded in 2000 by criticizing interventionism. Candidate Paul ended that debate with applause from the audience. His candidacy for president, however, was never a serious threat to the mainstream conservatives. Paul received only six per cent of the vote cast in primaries and twelve per cent of the vote cast in caucuses.⁷³

In the 2012 Republican primary Congressman Paul doubled his performance from 2008, gaining almost eleven per cent of the primary vote and twenty per cent of the caucus vote. Paul found conservative crowds much more in line with his views on foreign policy in light of a growing national debt and increased economic uncertainty. Despite his efforts however, Ron Paul did not win the nomination. Massachusetts Governor Mitt Romney became the party's standard bearer but Ron

71 David Boaz, David Kirby, and Emily Ekins, *The Libertarian Vote: Swing Voters, Tea Parties, and the Fiscally Conservative, Socially Liberal Center* (Cato Institute, 2012).

72 Ivan Eland, 'Did the Surge Work?' 28 July 2008 <<http://www.independent.org/newsroom/article.asp?id=2277>>.

73 The Republican Debate on FOX News Channel in Orlando, Florida <<https://www.youtube.com/watch?v=5Evd9MwEi5Y>>; For 2008 GOP primary election results visit <<http://uselectionatlas.org/RESULTS/national.php?year=2008&elect=2>>

Paul defiantly refused to endorse the neoconservative's candidacy. On election day Gary Johnson the Libertarian candidate for president received 1.2 million votes – double the votes cast for the Libertarian candidate in 2008. While that vote total would not have made up the difference for Romney, it represents the best showing for a Libertarian candidate since 1980 and the first time ever that the Libertarian party gained over one million votes. The emergence of what some call the 'liberty movement' in the United States has demonstrated the long standing divisions on the Right. It is unclear if bridging the gap between libertarians and neoconservatives would result in electoral victories for the Republican Party but in light of the 2012 presidential election some introspection seems necessary.⁷⁴

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The Journal of Peace, Prosperity and Freedom

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CHARLES SELTZER

The Irony of the Minimum Wage Law: Limiting Choices Versus Expanding Choices

ABSTRACT: Persistently high unemployment among specific sub-groups, namely teenagers, African-Americans and workers with low skills has been a serious problem in the United States. In this paper, we trace a large portion of that problem to the existence of minimum wage laws that have been in force nation-wide since 1938. These laws remain popular despite their adverse effects because of a lack of economic understanding among the general public. In this paper, we aim to make clear even to those without advanced economic training why the minimum wage law is not a viable solution to the problems of those its proponents purport to help, but rather a cause of worse problems for them. Our method is to use elementary economic logic to show that the minimum wage must harm many of those it is claimed to help by costing them their jobs and to review the data to show that it always has harmed them. Our conclusion is that minimum wages have not achieved their putative goal, but have served the ulterior motives of limiting the competition faced by labor unions. Our recommendation is to repeal minimum wage laws, and failing that, to at least lower their rates, and in their place to help low-skill workers by reducing the barriers to their receiving enough education to raise their marginal revenue product so as to permit them to earn higher wages in a way that does not remove their employment opportunities.

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I. INTRODUCTION

The minimum wage law is a counter-productive policy. It is a law that is supposedly intended to help those whose skills do not allow them to make as much as they would like to. It is thought, by the economically illiterate, to be a safety net for the unskilled. However, this safety net creates unintended consequences for those whom it aims to help. While the law may artificially and initially raise wages for some, it also leads to a loss of jobs for others; some suggest that labor unions support minimum wage laws out of self-interest rather than concern for the lowest paid workers (Sherk, 2007).

Minimum wage laws can be held responsible for the excessively high unemployment rates in the black community as compared to the white community. As of January 2013, the white unemployment rate was seven percent compared to 13.8 percent for black workers (Bureau of Labor Statistics, 2013). In addition to killing jobs for the black population, it also has disastrous consequences for the teenage population (16-19 years old), whose unemployment rate, as of January 2013, was 24.3 percent (Bureau of Labor Statistics, 2013). These high unemployment rates are correlated with the minimum wage law, which does not allow employers to hire workers based on their actual productivity. Instead, firms are forced to pay under-skilled workers that they might hire more than they can produce; since this would hurt companies that would hire them, they will not do so. This precludes these low skilled workers from obtaining on the job experience.

If we truly desire full employment of low-skilled workers, the minimum wage law is not the way to achieve it. This pernicious legislation destroys jobs by pricing the lowest skilled workers out of the labor force, while forcing employers to pay artificially inflated wages—costing them money and low skilled workers much-needed experience.

In section II of this paper we offer a brief history of this law. The burden of section III is to offer reasons to abolish the minimum wage. In section IV we discuss some solutions to this vexing problem. We conclude in section V.

II. A BRIEF HISTORY

The minimum wage did not start in the United States; rather, it originated in New Zealand and Australia in 1896 (Nordlund, 1997, p. 2). Following its enactment in New Zealand and Australia, the minimum wage was endorsed in Great Britain in 1909 and then in the state of Massachusetts in 1912. According to Rudolf Broda, “[a]s in Australia (1896) and in Great Britain (1909) minimum wage legislation in the United States (1912) sprang from anti-sweating agitation.”⁷⁵ Sweating, as defined by the thoughtful critic M.B. Hammond is, “the payment by an employer to his work people of a wage which is insufficient to purchase for them the necessities of life.” In 1912, Massachusetts became the first state to pass a minimum wage law. The law contained six components, of which the most notable were, “(1) a commission to administer the program; (2) tripartite wage boards or conferences to recommend appropriate wage rates to the commission . . . (6) protection of only women and children (Nordlund, 1997, p. 11).” The law in Massachusetts was not strictly enforced. Officials preferred moral suasion to outright force to obtain compliance with the law. They published “white lists” which named the companies that observed the new law (Nordlund, 1997, p. 12).

The Massachusetts law set in motion the wheels of change for the United States, a country whose labor relations had been dominated by laissez-faire economics since its founding, gradually moving it toward centralised regulation. By 1913 eight states had enacted minimum wage laws, and by 1935 one-third of the states had done so (Nordlund, 1997, pp. 13, 26).

The minimum wage law picked up popularity at a time it would do the most harm due to declining market wage rates, especially between 1929 and 1933 (Nordlund, 1997, p. 5). Average weekly earnings for all manufacturing were \$25.03 in 1929. In 1933, they were \$16.73—a 33.2 percent decline. While manufacturing wages decreased, the agriculture sector also saw significant drops in payrolls. Total farm wages in 1929 were 1.284 billion. By 1933, they had fallen to \$512 million—a decrease of over 60 percent. Lastly, from 1928 to 1933, average weekly payroll fell from about 14.4 million to about 4.8 million—a reduction of about 67 percent (Nordlund, 1997, p. 6).

Between 1912, when Massachusetts adopted the minimum wage law, and the *Fair Labor Standards Act* in 1938, there were numerous court cases that dealt with the constitutionality of the minimum wage law. One of the most notable occurred in 1923—*Children’s Hospital v. Adkins* (Nordlund, 1997, p. 21). The case rested

⁷⁵ Rose (2009) also draws the connection between sweated labor and the minimum wage (p. 960).

on infringement of the fourteenth amendment of the United States Constitution which stipulates that no person shall “be deprived of life, liberty, or property without due process of law.” Ms. Willie A. Lyons, the plaintiff, argued that the District of Columbia’s new minimum wage law caused her dismissal as her work was not productive enough to match the new wage set in place (Nordlund, 1997, p. 21). In the end, Justice Sutherland wrote the decision that ruled in her favor. However, on March 29, 1937, the *Adkins* case was overturned in *West Coast Hotel Co. v. Parrish*, and “[the court] in categorical terms declared minimum wage legislation compatible with the provisions of the Federal Constitution (Nordlund, 1997, p. 26).”

The overturning of the *Adkins* case, along with other political factors paved the way for the *Fair Labor Standards Act*. In 1936, John Maynard Keynes published his groundbreaking work: *General Theory of Employment, Interest, and Money*. The book gave “scientific” sanction to government interventions that had long been considered harmful. While mostly dealing with monetary and fiscal policy, it was in tune with the spirit of the age in bringing other types of intervention within the realm of possibility. Indeed, Keynes (1936) claims, “that it is more expedient to aim at a rigid money-wage policy than at a flexible policy,” (p. 266) a statement with clear implications on the desirability of the minimum wage. In 1938, the *FLSA (Fair Labor Standards Act)* was passed by a 291 to 89 vote in the House, and the Senate passed the conference report without a recorded vote on June 13, 1938 (Nordlund, 1997, p. 51). Some of the key components of bill included: (1) creating a Wage and Hour Division in the Department of Labor; (2) mandating a \$.25 minimum wage on October 25, 1938; a minimum wage not less than \$.30 by October 24 1939, and a \$.40 per hour minimum wage by October 24, 1945 and thereafter; and (3) mandating maximum work hours at forty-four per week on October 24, 1938, forty-two hours per week on October 24, 1939, and forty hours per week on October 24, 1940. The minimum wage law had officially taken effect in the United States, and has changed business ever since.

III. REASONS TO ABOLISH THE MINIMUM WAGE

Before we discuss the harmful effects of the minimum wage, some basic economic principles need to be explained. A worker’s wage is generally determined by his discounted marginal revenue productivity, herein MRP (Block and Blundell, 2006; Block, 1990). MRP measures how productive a worker is at his task (Investopedia, no date). To better conceptualize MRP, let us use basketball player LeBron James as an example. During the 2012-2013 National Basketball Association season, his

MRP in terms of points per game was 26.8 (National Basketball Association, no date). Some games he scored more than 27 points, and others he scored less than 27 points, but on average his value to his team was 26.8 points per game. One must convert the number of points LeBron scores into how much additional revenue he generates for the team through additional attendance, advertising and cable contracts, to estimate⁷⁶ his MRP.⁷⁷ The higher a worker's MRP, the more he or she will be paid, the lower a worker's MRP, the less he will be paid. Wages can either be greater than MRP, lower than MRP, or in equilibrium, equal to MRP. In an effective working environment, workers' wages tend to equal their MRP. During the 2012-2013 season the Miami Heat paid LeBron James \$17,545,000 because that, presumably, was the upper bound of the value they placed on his work (ESPN 2013). His MRP earned him the aforementioned salary due to his natural talent, hard work, human capital, physical capital, etc.—all factors that go into any laborer's compensation.

The minimum wage law is ironic in that it kills jobs for those whom it claims to help. Low-skilled workers, especially young people, minorities, and untrained workers are all examples of people who seemingly benefit from the rise in minimum wage but at a closer look end up being hurt by the law. Take the current minimum wage of \$7.25 per hour. Any laborer whose MRP is above or equal to the latter figure will keep his job. If a worker has an MRP below \$7.25, he may likely be dismissed from his position. The workers whose MRP is below \$7.25 often times are unskilled - because of a lack of training, lack of experience, or other similar handicaps. Therefore, if the aforementioned workers lead the charge to legislate higher wages, they are risking their own jobs.

From a business owner's point of view, anybody who is not producing at least \$7.25 per hour is losing the company money. A profitable business cannot survive if it is forced to pay its laborers more than they can produce. Lifting wages artificially,

76 It is difficult to estimate MRP in the real world of non-blackboard economics. Witness the trials and tribulations of another basketball player, Jeremy Lin. He went to Harvard, and everyone knows no student at that university can play basketball in the NBA. Also, he is Taiwanese, and everyone knows that Asians, unless they are 7'6" tall, cannot join the big leagues. As a result, he was lucky to be a bench rider for several teams, before the New York Knicks gave him a chance, and he did well. Basketball scouts are paid highly for their skills evaluating prospects, and yet they missed Lin's talent. However, the market rewards entrepreneurs who can accurately judge MRP, and penalizes those who cannot. So, our presumption is that MRP tends to be measured pretty well, at least as accurately as imperfect human beings are capable of.

77 This is because he did "his thing" on the basketball court with panache. He put rear ends in seats in the arenas. Another basketball player might have equaled his output strictly in terms of scoring, rebounds, assists, etc., but done it with less flamboyance. Such a player would have had a lower MRP.

by raising the minimum wage, is one of the worst things for a business.⁷⁸ A common complaint against the aforementioned argument is that business owners who have all the power to determine wages would exploit workers; therefore, the salaries of the workers would be below equilibrium. But this fails to realize that if a worker is producing at or above equilibrium, and is being underpaid, then a competing business will have a strong incentive to offer that worker more than what he is currently being paid. No laborer who is meeting his MRP should be underpaid, and if he is, he will tend to move to another business, which will reduce the profit of his former employer.

Ironically, the putative representatives of those who suffer the most harm from the minimum wage are the most outspoken about raising it (Ahn, Arcidiacono, and Wessels, 2011, p. 22). While businessmen may not want their own wages raised to uneconomic levels, some of them are faced with low-wage competition and advocate minimum wages to hamper their competitors. This partly motivates their support for legislation like *Davis-Bacon* (Leef, 2013).

Take, for example, the black population, whose decline in working force participation can be directly linked to higher minimum wage levels. Today, black unemployment is significantly higher than that for whites; however, that was not always the case (Econographics, 2013). In 1930 black participation in the labor force was higher than that of whites (Sowell, 2013). What has changed since then? 1930 was the last year that there was no federal minimum wage law. In 1931 President Herbert Hoover signed the *Davis Bacon Act*, which was meant to prevent Southern black workers from coming up North and taking lower wages on government projects as well as having the effect of discouraging “run-away-shops” from moving from north to south to take advantage of lower wage scales in the latter areas (Thieblot, Baskin and Dorn, 2012). The white workers were losing jobs to their Southern black competitors who were willing to work for less money, and gain on-the-job experience. Since then, black unemployment has skyrocketed as compared to white unemployment. If employers were not forced to pay workers—black, white, unskilled, young, etc. wages that are above their MRP, there would be more jobs in the United States. Indeed, if the government gave

78 But it is not all that bad, at least compared to the fate which befalls low-skilled workers: unemployment. The business firm can fire employees whose MRP now falls below a new, higher minimum wage level, and replace them with more skilled laborers and additional and more sophisticated capital equipment, as in the case of automated elevators, registration kiosks at airports, etc. Another possibility is substitution via self-service. Gas stations used to employ people to wash the windows, check the oil, the tire pressure, etc. These jobs have virtually all been eliminated due to self-service – engendered by minimum wage legislation.

up all interferences with the labor market – unemployment insurance, support for unions, artificially lowering interest rates via the Fed – there would tend to be no structural or cyclical joblessness at all. Uri and Mixon (1978) provide strong evidence that minimum wage laws exacerbate income inequalities, showing that its “cost in terms of lost employment opportunities and cyclical vulnerability of jobs, however, has apparently been borne most heavily by low-wage industry employees” (p. 103).

An argument against doing away with the minimum wage law centers on underbidding. Suppose that a group of employers decide that they will pay their entire professional workforce one penny per hour to work for them. What could the workers trained in that specific field—be it the auto industry, computers, college professors – do? The solution comes from entrepreneurship. A business owner who is looking to enter the market will see that this group of employers has colluded together in order to increase their profits at the expense of their employees. Thus the smart businessman, seeing a gaping hole in the market, will offer more than one penny to these workers to come work for him. By driving the price up even one more penny he will begin a bidding war for these employees that will continue until the workers’ salaries rise to the level of their MRP. Collusion by employers is not possible in a free market where there is opportunity for new businesses to enter the market and drive up workers’ wages.⁷⁹

To put the minimum wage issue into perspective, we can look at President Barack Obama’s proposed minimum wage hike from \$7.25 to \$9.00 per hour. That is nearly a 25 percent increase in wages. To put this rise in perspective let’s apply it to other products, since labor is a product.⁸⁰ What would happen if the price of cars went up 25 percent? Do you think that more people would want to buy houses if the price rose 25 percent? Now, take the reciprocal of this question. What would happen if the price of cars fell by 25 percent? What if the price of a house fell by 25 percent? The basic law of demand says that the higher the price of something the less of it people will purchase, the lower the price the more (*ceteris paribus*). Labor

⁷⁹ Cartels tend to break up though either internal or external pressure. The latter means that outside firms will bid more for these underpriced resources. But there is also internal pressure; each firm that is a member of the cartel will have an incentive to hire more of these highly profitable workers, who are now, by assumption, being paid only \$.01 per hour. But the only way they can do this is by bidding up the wage.

⁸⁰ Some economic illiterates will object to workers being treated as a “product” or a “resource.” But they would not object to doctors treating their patients as groups of cells. *Neither* practice is demeaning or callous. This is what science is all about.

is not an exception to that law; therefore, artificially raising the wages of workers runs afoul of the basic law of demand.

Some economists believe that the minimum wage and its gradual increase has little to no effect on the economy. After President Barack Obama's February 2013 State of the Union speech, many left-wing newspapers came out and supported his proposal to increase the minimum wage. The go-to source for all such efforts was a two-decades old article by David Card and Alan Krueger – Chairman of President Obama's Council of Economic Advisers from 2011 to 2013 – which claimed to present evidence that not only did a minimum-wage increase not reduce employment, but actually led to an increase in employment (Card and Krueger, 1994).

While the process of trying to avail themselves of a “natural controlled experiment” in their research may be admirable, Card and Krueger's implementation of that research left much to be desired. For one thing, they restricted their sample to a small sub-set of the fast-food sector of the restaurant industry because “it is relatively easy to construct a sample frame of franchised restaurants” (Card and Krueger, 1994, p. 774). This is an example of what statisticians call “convenience sampling”. Such sampling is unlikely to provide a representative sample and therefore is not projectable, making it inappropriate to use to make policy recommendations for the nation at large.

In addition, they used telephone interviews of franchise managers or assistant managers to collect their data. This is a method subject to a great deal of noise as the many responsibilities of these harried supervisors are likely to compromise their memories. In many cases, data collection is quite a challenge and researchers must often make do with what they can. In this case, however, economists David Neumark and William Wascher were able to obtain payroll data from most of the same establishments Card and Krueger used and obtained results totally at odds with their 1994 study (Neumark and Wascher, 2000). Others who have examined Card and Krueger's data discovered many gross anomalies. One such anomaly is a KFC in New Jersey that went from employing no full-time and 22 part-time employees to having 25 full-time and 15 part-time in the months following the raising of the minimum wage (Employment Policies Institute, 1996, p. 3.). But best practice would be to carefully scrutinize any data point with so little face validity so see if there had been a coding error, a misunderstanding of the question or some other such reason for the seeming anomaly, and making appropriate corrections. If the data were, indeed, valid, then the task facing the researcher would be to find where the *ceteris paribus* condition failed to hold.

Moving from data collection issues to the conclusions of the study, Bryan Caplan (Caplan, 2013) has pointed out that these conclusions actually contradict a study David Card (Card, 1990) previously carried out on the impact of immigration during the Mariel boatlift. This study shows that this increase in the labor force had no major impact on wages in the Miami area. While Card mentions certain offsetting labor supply factors, to the extent that there was any net increase in labor supply, the paucity of wage decreases would imply a very elastic demand for labor. A very elastic demand for labor would, of course, generate a strong disemployment effect of the minimum wage.⁸¹

Another problem with their study that Card and Krueger do admit to is that it is incapable of estimating the impact of minimum wages on new entrants (Card and Krueger, p. 788) - that is, it cannot let us see what businesses and, therefore, jobs were never created as a result of the minimum wage. Indeed, this may be a problem for empirical research in general, not just the New Jersey/Pennsylvania fast-food study by Card and Krueger.

One last point about Card and Krueger is that in trying to select a theory to replace traditional supply and demand analysis of their empirical results, one of their options is that fast-food restaurants enjoy monopsony power (Card and Krueger, 790) - i.e., that they do not have to compete very hard with other firms to obtain their low-skilled workers. This would make the marginal cost of hiring an additional worker more than the wage paid, because all extant workers would have

81 Elasticity is a concept widely employed in economics. In general it refers to the responsiveness, in percentage terms, of one variable when another one changes. For example, if the price of oil falls by 10% and the use of oil rises by 20%, we say that the demand elasticity of oil is -2, or, taking the absolute value, as is customary, it is plain old +2, or, simply, 2. In our particular case, we are concerned with the elasticity of employment with regard to wages. If salaries paid rise by 10%, what will be the fall in jobs offered? A high elasticity of, say, 2, means that employment slots will decrease by 20%. A relatively small elasticity, of, for example, .1, means that job offerings will fall by only 1%. The advocates of minimum wage rates in general, and increases thereof, maintain that the elasticity of the demand curve for relatively unskilled labor is very small: a big increase in the wage required by law will have but small effects on hiring, or firing, or workers. Virtually all of them will keep their jobs, and/or be offered them in the first place. Most opponents of this legislation argue that the elasticity is high: the very existence of this law, let alone an increase in its level, will have severe unemployment effects. One of the most powerful arguments of the latter position is that elasticities tend to rise the longer the wage increase is in effect. That is, in the very next day after a minimum wage is implemented or raised, yes very few workers will lose their jobs. The elasticity is indeed low. It takes time for employers to substitute away from unskilled labor, and hire more skilled labor, along with more capital, particularly sophisticated versions thereof. For example, self serves, and automatic machinery, and robots, can substitute for unskilled labor that is priced out of the market by the minimum wage law, but not immediately. It takes time to implement these changes. But as time passes, the elasticity of the demand curve rises, and more and more firings take place.

to have their wages increased to the same level. Supposedly, by making the supply curve horizontal at the minimum wage level, this would reduce the marginal cost of hiring to the wage, and permit an increase. Outside of company towns, this phenomenon is rare and in densely-populated, highly-developed regions such as New Jersey and eastern Pennsylvania, the existence of monopsony power clearly strains credulity.⁸²

The Wall Street Journal (19 February 2013) critiqued the calls for raising the minimum wage based on the Card and Krueger study. In an article entitled ‘The Minority Youth Unemployment Act’ (n.p.) it cited a White House memo that claimed, “a range of economic studies show that modestly raising the minimum wage increases earnings and reduces poverty without measurably reducing employment” (Williams, 2013). *The Wall Street Journal* article refers to a study by Neumark in which he examined more than 100 academic case studies on the minimum wage. According to his findings “about 85 percent of the studies ‘find a negative employment effect on low-skilled workers’” (*Wall Street Journal*, 2013) rebutting the main point of the memo.

We can do better than mere econometric studies. There is, even more importantly, the pure logic of the argument. Any minimum wage law, at whatever level, will in equilibrium cause all those whose MRP is below that minimum to

82 For a critique of the very theoretical underpinnings of the monopsony argument, not only its non-applicability in this case, see Block and Barnett (2009). Monopsony is in some ways the polar opposite of monopoly. In the latter case there is a single seller of a good, such as Alcoa aluminum, or IBM, when these companies owned the overwhelmingly dominant share of their respective industries. In the former case, there is only one buyer, and the best example of this is Hershey Pennsylvania, the producer of chocolates. In that small town, apart from a few grocery stores, filling stations, bars, schools, etc. virtually all employees worked for the Hershey company, in their chocolate factories. Both of these concepts are part and parcel of mainstream economics. The Austrian school rejects both (apart from when government grants special privileges to its favorite crony capitalists, and that phenomenon is not in play at present). So Austrians reject the very concept of monopsony (and monopoly) when size alone or percentage of an industry’s output is concerned, apart from governmental favoritism. But even neo-classical economists, who support the idea of monopsony as a theoretical construct, would reject it in the modern day, since travel is so easy nowadays, and if a company like Hershey started paying its workers a salary below their productivity levels, they could relatively cheaply move to other employers in the geographical area. For traditional economists, monopsony might well have explained wages in a bygone era, but not so much at present, certainly not for relatively unskilled workers with general training paid at or near the minimum wage level who could easily be employed elsewhere. Monopsony, for them could at best at present explain wages where only one employer could make use of the special and highly skilled talents of his employees, such as professional sports teams, or a company that hired virtually all of those with narrow training such as perhaps in computer science, or engineering. But these people earn much more than the minimum wage, and thus this consideration is irrelevant to our present concerns.

be unemployed. Period. Of course, we are never at equilibrium. However, we are always tending in that direction. There are inexorable market forces that tend to equate wages with MRP. The minimum wage reckons as if these did not exist. But they do. As High (2010) says in summarizing the thoughts of such economists as J.B. Clark, Mises, Hayek and Schumpeter, “functioning markets are the best way to improve the wages and well being of workers” (p. 573).

When all is said and done, what minimum wage laws do to the low-skilled workers who are negatively affected by them is to take away their best alternative. By definition, this forces them to resort to a worse alternative. In their zeal to find solutions to the problem of people not able to earn enough, supporters of the minimum wage fail to recognize the reality of the tradeoffs which render their solution illusory, leading only to, “some people earning more money and others earning none” (Worstell, 2013).

IV. SOLUTIONS

While the main focus of this paper is not on how to fix the problems caused by the minimum wage, solutions are preferable. The most obvious one is to eliminate the law altogether. If the goal is to permit low-skilled workers to earn more, what must be done is to increase their choices. The central issue that condemns many workers to unemployment in the presence of the minimum wage is an MRP that is too low. As stated before⁸³ workers are paid based on their MRP — how productive a worker is for a company. People who rely on the minimum wage are generally not very productive workers for various reasons. The main question becomes, how can we raise their MRP?

In order to improve workers’ MRP, the education system needs to be redirected. Today, too many young men and women are receiving an education that is long on political correctness and short on marketable skills. According to Thomas Sowell (2013), what enabled him to succeed was the education that he received. When asked what the difference between his education back in the 1940s versus that of today’s young Americans, particularly young African-Americans, he said, “First of all, they taught us the English language. They taught us the standard academic subjects. They were not teaching us tree hugging, they were not teaching us how to use condoms, they were not teaching us to be victims, and they held us to the same

83 We will state it again and again and again, one, because it is so crucial to an understanding of this issue, and, two, since so many people who really should know better, either ignore this insight or analyze the minimum wage law as if it was not valid.

standards they held other kids to. Now those of us who came from homes where there were no truly educated people, it was little harder on us, but that's nothing compared to how hard it was going to be if they had made allowances and lowered the standards for us" (Sowell, 2013, n.p.).

To the extent that this is true, the American education system bears some of the blame for teenagers, and even adults, who are unprepared to go out into the labor market. Too many people are under-trained, and go looking for jobs without the necessary set of skills to acquire one. The choice to be taught content that prepares one for the working world, whether through reformed curricula in current schools, or in trade schools or even apprenticeships outside of traditional school systems gets at the problem of low wages by adding to workers' options rather than reducing them. As such, it could avoid the counter-productive aspects of the minimum wage.

In addition to a lack of skills needed for a job, if a worker cannot find employment, he can receive welfare for sitting at home. If this occurs, not only is that person a burden for taxpayers, but more importantly, he is not actively engaged in the labor market, acquiring the skill necessary to advance up the wage ladder. The minimum wage law is an absolute catastrophe for low skilled workers, as they cannot find a job anywhere for \$7.50 per hour since their MRP is below that amount.⁸⁴ If that worker could find a job for \$5 per hour that would also teach the worker skills needed to raise his MRP—that would be a great situation for both the employer and employee. The more time the worker trains, the more productive he will become. Forcing the firm to pay the worker a wage above the latter's MRP is simply ludicrous and unreasonable. Instead, the employer should be able to pay any mutually agreeable wage, and there will be mutual benefit in that situation—the worker gains experience, and the employer gains labor at a reasonable cost.

V. IN SUMMATION

The minimum wage law has disastrous effects on the economy because it forces employers to pay low-skilled workers unnaturally high wages; thus, not allowing unskilled workers to attain on the job training. Since its enactment in 1938 the *FLSA* has led to unemployment for any worker whose MRP is not equal to

⁸⁴ This is a slight exaggeration, as it only applies to equilibrium. In the real world, mistakes are made; workers are hired even though their productivity is below their wage. But when this happens, the firms that do so lose money and tend to go bankrupt, *ceteris paribus*. However, there is always a real-world tendency in this direction.

or higher than the minimum wage. While this law sounds compassionate, it only serves as a barrier to employment. Think of the minimum wage law as a bar that one needs to jump over in order to reach the promised land of employment. The higher it is raised, the more difficult it will be for people to receive jobs in the market. The minimum wage law is one of the most controversial issues in politics, and will continue to be as long as people remain uneducated about its consequences.⁸⁵

Ultimately the problem of the minimum wage law, as well as so many other laws purported to help the most vulnerable, is that you cannot make someone better off by eliminating his best alternative. That is just what the minimum wage does. To help such people earn higher incomes without causing collateral damage, one needs to add *better* alternatives. Reforming school curricula to include more productivity-enhancing content or to permit attendance at trade schools or apprenticeships outside of the current educational establishment are a few ways to raise productivity. Will this be enough to achieve the goal of higher income to the less skilled without consigning others of their cohort to joblessness? That all depends upon how elevated is the minimum wage level. At \$7.25, or even \$9 per hour, we estimate it will help a bit. But at \$15? Probably not very much at all. There is a limit as to what (even very expensive) education can do. Far better to eliminate the minimum wage, root and branch.

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⁸⁵ These consequences may be “unintended” in the minds of most of the electorate, but, once we ask *cui bono?*, who gains from this pernicious legislation, that can no longer be said. So, who are the beneficiaries? Unions, of course. Organized labor is generally more skilled, and thus in competition with the unskilled. That sector of society, plus their “progressive” supporters, are the most vociferous supporters of minimum wages.

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Licensing: Political Control Over Access

ABSTRACT: It is inevitable that a licensing process controlled by government must sooner or later result in the exploitation of the process to serve political ends. It ought also to be unsurprising when deliberate attempts to restrict entry to a particular trade or profession raises prices and creates turf wars whilst achieving very little in terms of patient safety. Regulatory controls inhibit innovation and they prevent patients from gaining access to a wider range of treatment options. In the case of health care, the features of a centralized licensing process are predictably exacerbated when they are combined with a universal taxpayer-funded health system. When government finds that it is simply impossible to fund all the health care promises that it has made it necessarily restricts access to care on a collective basis – including access to the best trained providers.

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Men are valued not for what they are but for what they seem to be.

E. G. Bulwer-Lytton

The preference of most doctors for socialized health care is influenced by their belief that individuals can and ought to be protected by those who know better from the bad choices they may make. A preciously guarded view is that licensing is a useful way to achieve that end. Those who have been licensed also benefit from

the ‘coincidental’ anti-competitive effects flowing from the restrictions on entry that licensing involves.

While, as I shall argue, licensing has never produced the benefits claimed for it, the damage that it caused was limited when it was operating in a more market-based system. The defects of the licensing system have become much more apparent in a socialized system in which the process has been usurped and exploited by government in an attempt to manage its failures to ensure an adequate workforce and to pay for the services it has promised.

The centralizing tendency of authoritarian regulatory controls has been extended to the creation of a national licensing authority covering a wide range of health professionals. Government has made a hopeless mess of the conversion from a state-based to a federal-based system and doctors are now starting to realize that a choice of jurisdictions may act as a constraint on the excesses of any one jurisdiction (since individuals can often simply move between jurisdictions) and that the problems of licensing across jurisdictions could have been more simply resolved by a system of reciprocal recognition. By gaining increased control of the licensing process the national government now has firmer control over the standards of health care professionals in addition to the financial controls exercised through the subsidies it provides.

Sad to say, these changes have all occurred with the active connivance of the profession’s medico-political leaders – generally because they support the philosophical basis on which they have been made. Rather than reflect on the wisdom of the beliefs that have led to this point, the principle focus of professional leaders has been merely to complain about government’s inefficiency and its willingness to relax the anti-competitive protections previously awarded exclusively to the medical profession.

Strangely, despite the considerable costs of implementing a licensing (and ongoing accreditation) system nobody seems to think that its outcomes require justification. Yet, the large number of studies in the literature examining the relationship between quality and licensing are about equally divided between supporting and denying the relationship (or show no relationship at all).

This paper will argue that licensing does not achieve the goals claimed for it as evidenced by the large number of malpractice claims that are still being made and the reality that it is this same licensing process (supposedly to protect the “public interest”) that is now being used to underpin the “market” entry of a wide range of “less-safe” complementary and alternative practitioners - all of whom will, of course, be registered and licensed.

I. THE EFFECTS OF LICENSING

One clue as to the effects of licensing, as the Friedmans have pointed out, is that those who lobby for the introduction and extension of the licensing process are “invariably representatives of the occupation in question”.⁸⁶ This is because becoming licensed not only provides a competitive advantage for the licensed but it is a necessary prerequisite for eligibility for the subsidies that government provides exclusively to the clients of licensed service providers. The removal of a subsidy, the development of a new one or the transfer of a subsidy from one professional to another can significantly alter the case-load and the income earning capacity of a profession or trade.

Licensing laws tend to be enacted because those engaged in a particular profession or trade are more concentrated politically than the consumers of their product. As Hans Sennholz has observed, the licensing process has always been a route to riches. Even in the 17th century,

training and examination of physicians was a serious government matter. Under the watchful eyes of the government, ancient quackery was to be perpetuated. In some cases, persons with no training whatsoever were practicing the business of healing and offering salves and medicaments because they curried favour with the inspectors, or succeeded in winning over the lackeys, valets, mistresses, and adventuresses of the Court. Royal charters, permits from princes, and acquired titles of physicians of the king or queen, of surgeons of the navy, and the like, sanctioned all kinds of quackery. The methods of favoritism, currying favors, obtaining franchises, licenses, or government orders have not changed materially since the seventeenth century.⁸⁷

As well as opening up the process to political abuse, licensing almost always raises the cost of the service rendered, provides the basis for turf wars between different groups of service providers and by restricting the number of available professionals creates the very circumstances in which substitution affects are most likely to occur and charlatans are able to flourish. The medical profession, in an attempt to justify higher fees and to inhibit potential competitors, has always enthusiastically

⁸⁶ Milton Friedman and Rose Friedman, *Free to Choose* (Penguin, 1981) 281.

⁸⁷ Hans F. Sennholz, ‘Progress or Regress’ in Bettina Greaves (ed) (*The Foundation of Economic Education*, 1975) 263.

embraced this process and has progressively raised the barriers to entry (by requiring, for example, increasing course lengths, continuing professional development, certification to perform particular services and the accreditation of practices) - all in the name, of course, of increasing the quality of care in the “public interest”.

Restrictions on entry, however, reduce the incentives for medical practitioners to compete with one another on either the price or the quality of the service provided. Moreover, as Mary Ruwart has observed, “the negative impact of decreasing availability far outweighs any increase in quality that may occur”.⁸⁸ Studies have demonstrated that eye care is poorer and blindness more common when there are fewer optometrists, dental hygiene is worse when there are fewer dentists and accidental electrocution is more common when licensing requirements for electricians increase.⁸⁹ And who can doubt that the quality of medical care decreases as physicians becomes less available?

Licensing negatively impacts on the overall quality of care when, by preventing unlicensed practitioners from performing tasks that they are perfectly capable of performing, licensed practitioners are compelled to spend time doing things that do not fully utilize their skills (and the number of available professionals is effectively reduced). By requiring uniformity and compelling compliance with the accepted wisdom of the day, licensing can also have serious effects on innovation and progress. The uniformity that results from the licensing process is also undesirable when what a consumer wants in a professional varies, as it frequently does, with the individual consumer.

Licensing laws actually put people at risk, in the same way as do advertising laws, by lulling them into a false sense of security about the quality of the service provided. Patients are inclined to believe that their interests are well protected and that they do not need to bother with the sorts of precautions that they would otherwise normally take.

Furthermore, in spite of the claims that licensing and registration protect the public, the medical profession itself contains a large number of practitioners who deliver services that are little different from those attributed to charlatans - except that registered practitioners are often able to bill Medicare for their non-medically recognized treatments.

Charlatans aside, it is clear that licensing has also done very little to protect consumers from the large number of doctors who remain in practice despite being

⁸⁸ Mary J. Ruwart, *Healing Our World: The Other Piece of the Puzzle* (SunStar Press, 1992) 55.

⁸⁹ Sidney L. Carroll and Robert J. Gaston, ‘Occupational Restrictions and the Quality of Service Received’ (1981) 47 *Southern Economic Journal* 970.

only marginally competent (or frankly incompetent). Reviews of patients receiving hospital, obstetric and ambulatory care continue to show that they are frequently the victims of medical mismanagement.⁹⁰ Similarly, a former Pennsylvania commissioner of insurance estimated that 15% of America's dentists were either incompetent or dishonest and that dentists extract six million teeth a year that could be saved through other treatment.⁹¹ A few of these incompetent practitioners will be brought to the attention of the licensing authorities when they commit some more obvious blunder but the vast majority operate below the radar. Their patients simply receive unsound advice on a wide range of matters and have their illness processes inadequately managed. The idea that continuing professional development (CPD) solves this kind of problem is also not supported by the facts. Not surprisingly, more competent physicians enroll in more CPD courses and there is no way to ensure that those who attend because they have to will participate in a way that ensures that they actually learn something. In fact, the range of activities that are allowable as continuing medical education sometimes makes a mockery of the entire concept.

Even if the licensing process did offer some marginal protection to the public it must be asked "at what cost?" How, for example, can the enormous costs involved in continuing professional development (CPD), which must be passed on to the consumer, be justified when, as most commentators agree, CPD is of such doubtful benefit in changing performance?

II. LICENSING IN AUSTRALIA'S SOCIALISED SYSTEM.

The introduction of a universal health care system has not only produced additional stresses but it has made more obvious the deficiencies of the existing licensing process. Instead of being paid by patients and being committed to their interests, doctors have become increasingly dependent on the State for their incomes and have had, therefore, to consider government's interests in every patient interaction. Irrespective of claims to the contrary, doctors are required to follow the directions of government and to tackle the problems of "society" (using politically correct methods) rather than of their individual patient. As a result, they have increasingly

90 Gary L. Gaumer, 'Regulating Health Professionals: A Review of the Empirical Literature' (1984) 62 *Milbank Memorial Fund Quarterly/Health and Society* 395.

91 Stanley J. Gross, *Of Foxes and Hen Houses: Licensing and the Health Professions* (Greenwood Press, 1984) 35.

become the victims of intense resentment and sometimes even violence at the hands of their patients.

The absence of a patient who is personally responsible for the costs generated in the majority of medical interactions has led to the creation of a complex billing and surveillance system that has damaged patient confidentiality, made a potential criminal out of every doctor (and medical receptionist) and seriously harmed the doctor-patient relationship. As well as controlling access to various investigations and treatments, doctors are now required to act as the government's policeman, approving access to various subsidies and privileges and engaging in a variety of whistle-blowing activities involving both patients and colleagues. Traditional doctors have lost a great deal of respect as they have become increasingly engaged in the interrogation of personal lifestyle choices, the pursuit of "easy" government money (generating income, for example, by completing useless care plans) and the rationing of health care. The medical profession's preoccupation with the delivery of a uniformly high standard of care has often made it appear as if doctors would prefer that patients received no service at all rather than one provided by a person not trained to the highest possible, medically approved standard.

Many of these changes have been accompanied by the conversion of previously voluntary professional ethical codes into legal obligations in Medical Practice Acts and by alterations to the content of those codes. Medical ethical codes have had to be changed, for example, to compel doctors to take account of the costs they might impose on the system.

As well as co-opting doctors to assist with funding difficulties, the licensing system has been used to address workforce problems that are an inevitable accompaniment of a system in which services are free at the point of delivery and where practitioner time is wasted performing services that are attractively rebated but that consumers do not value. Doctors in training and overseas trained doctors are compelled to work in areas of need and the workforce is deliberately re-configured to include licensed service providers without traditional medical training.

The role played by allied health practitioners in the medical workforce has widened because of lobbying pressures exerted by the practitioners themselves and because governments have been unable either to solve workforce problems or to adequately fund the services they have promised. Since almost nobody questions the underlying ideological premise that it is a legitimate part of government's role to deliver health care services, arguments for or against a change in the system have been limited to the associated safety and cost advantages or disadvantages of

the particular proposal rather than whether or not it is desirable to have a licensing system at all.

A. *Nurse practitioners and midwives*

In introducing lesser trained personnel to the “market” government has attempted to lower the costs of care and deal with the shortage of doctors while avoiding the politically damaging suggestion that there will be any reduction in service quality. An advantage to government is that the shorter training times required to produce these alternative providers enables more flexibility in manipulating the workforce and doctors who enter into disputes with their political masters can be more easily brought into line by threatening to replace them with alternative providers (as happened in one of the initial Nurse Practitioner Projects). While the medical profession will countenance no decrease in training requirements for *its* members the same effect (an overall reduction in training requirements) is being achieved by introducing a range of non-medically trained providers. And while the training offered to nurse practitioners (and chemists and so on) will improve, it is unlikely to attain the standards reached in traditional medical courses. Ultimately it becomes a matter of semantics whether the persons delivering health care services are called physician assistants, up-skilled nurses or down-skilled general practitioners.

Under normal market conditions better trained service providers will usually be more expensive since they must be compensated for the opportunity costs that their training involves (and if superior intelligence is required, for the higher incomes they can earn elsewhere). However, since we do not have normal market conditions it remains doubtful whether the introduction of less extensively trained providers of medical services will actually lower costs. It is likely, for example, that many of the services provided by Nurse Practitioners (NPs) will be new services and not simply substitute for those previously provided by doctors. Since these services will be subsidized under Medicare, they will also be subject to overutilization in the same way as are the services of medical practitioners. Furthermore, the rebates (and therefore basic fees) for the services offered by NPs are currently equivalent to those awarded to non-vocationally registered doctors (and will eventually exceed them since NP rebates are indexed and non-VR rebates are not). Nevertheless, the nursing lobby has already complained that their rebates are not high enough!⁹² It seems that the reluctance to train more doctors based on the view that they are cost generators for the system may be a concern that will ultimately

92 ‘Rebates not enough for nursing groups’ (November 2010) *Primary Care Nurse* 3.

be transferred, possibly with even greater force, to NPs. It has already been revealed that NPs provide a far greater proportion of longer consultations (attracting larger rebates) than do general practitioners.

Lesser trained personnel are likely to make more referrals, to order more tests and to prescribe more medicines (particularly antibiotics) because of their greater uncertainty. Hence, it was recently revealed that 20% of the patients of a walk-in clinic staffed by nurses had to be referred to local GPs and a further 6% to the local emergency department to which it was attached - actually increasing rather than decreasing the workload of that department (even though most of the patients seen by the nurse had only sore throats and colds).⁹³ The costs per patient in this particular clinic were estimated to be \$120-225 - not counting capital depreciation!⁹⁴ Additional costs per service will be generated if medical practitioners decide to charge a fee for the legally compelled surveillance of their activities (for example, test results and prescribing).

The AMA claims to have won a victory by successfully lobbying for the restriction of the activities of NPs and midwives to particular areas of “expertise” and requiring collaborative arrangements with the medical profession. But as anyone who has observed the political process over time will attest these measures are only temporary inconveniences to allied practitioners on the way to what will ultimately be fully independent taxpayer-funded practice. Governments have always considered the objectives of powerful lobby groups and none are more powerful than the nurses’ lobby. As Friedrich Hayek has observed, once governments are permitted to interfere with markets to direct benefits to particular individuals or groups “they cannot deny such concessions to any group on which their support depends.”⁹⁵ In fact the original projects aimed at introducing NPs to the workforce were conducted at a time when it was believed that there was an *oversupply* of doctors! There is a line of alternative providers wanting to obtain a piece of the action and political reality suggests that they will be successful, at least in part.

It ought to be a fairly uncontroversial generalization to suggest that lesser trained service providers will be less safe. When the initial patient assessment is performed by somebody with limited training then something important may be missed, the wrong referrals made and the practitioner may attempt to manage

93 ‘Nurse clinic refers 20% of patients to GPs’ (21 March 2011) *Australian Doctor* <<http://www.australiandoctor.com.au/news/latest-news/nurse-clinic-refers-20--of-patients-to-gps>>

94 Mark O’Brien, ‘ACT nurse-led walk-in clinic under fire for cost’ (22 April 2011) *Medical Observer* 7.

95 Friedrich Hayek, *Law Legislation and Liberty: The Political Order of a Free People* (Chicago University Press, vol. 3, 1979) 151.

conditions that are beyond his or her competence. This problem is not confined to NPs and midwives but extends to all circumstances in which the management of a patient is undertaken by lesser trained personnel. It was recently claimed, for example, that the relaxation of the referral criteria for patients with mental illnesses under the Better Access initiative had resulted in a “burgeoning number of non-clinical psychologists setting up shop with minimal qualifications” and a number of wrong diagnoses and treatments.⁹⁶ Even now the concept of “collaboration” threatens to degenerate into a relationship based on adherence to protocols approved by some distant authority. While there are a range of problems associated with clinical guidelines, they also don’t solve the kind of educational problem that was disclosed in a study demonstrating flaws in the mathematical understanding of second year nursing students. The average score of these nurses in tests measuring their ability to calculate drug dosages and make some basic mathematical calculations that are required in the workplace was 56%!⁹⁷ This, say the study’s authors, represents an unacceptable risk to practice safety.

Even if a non-medical practitioner is capable of performing some (even many) of the tasks performed by a medical practitioner, how can those patients who could be safely managed by non-medical personnel be reliably identified when even the simplest presentation may herald a life-threatening event? The training issue may be particularly relevant in country areas where the role of the general practitioner survives in its more traditional and most complex form and where extra training is often required before even formally trained medical practitioners can safely practice. However, it has been suggested that not only might NPs substitute for doctors in country practice but they (and even chiropractors) could also do so in emergency departments! And if NPs are permitted to refer directly to other allied health practitioners, which has also been recommended, the standard medical model of care may be by-passed altogether!

Of further concern is that the new breed of providers may be paid by cutting the funds available for traditional medical practice. If nurse led walk-in clinics aim to deal only with simple problems, traditional general practitioners will be left with the more complex, longer consultations and the balance of medical practice (in which the easy consultations often subsidize the complex) will be upset. To these arguments must be added the claim that the wider involvement of NPs will lead

96 David Brill, “Therapists ‘diluting’ mental health care” (18 March 2011) *Australian Doctor* 5.

97 K.J. Eastwood, M.J. Boyle, B. Williams and R. Fairhall, ‘Numeracy Skills of Nursing Students’ (November 2011) 31 *Nurse Education Today* 815-818.

to the fragmentation of care so that the left hand will be uncertain what the right hand has done; costs will be duplicated and patients will thus suffer.

Concerns about possible mistakes also mean that nobody is keen to provide insurance for the services of less skilled practitioners. Physicians themselves are becoming increasingly wary of collaborative arrangements that impose upon them an uncertain range of legal risks. Some control over issues of safety can be gained by limiting the types of service that can be provided by less skilled practitioners, by improving training and by ensuring proper supervision. Far less acceptable has been the decision to transfer some of the risks to doctors (and their insurers). It has been suggested that if a doctor receives information regarding a patient with whom he has no professional relationship (for example, a copy of a pathology report for a test ordered by a NP) that he is required to accept some responsibility for the management of that information. This “duty of care” arises because of a faulty code of ethics that considers that doctors have a contract with “the world” – that everybody is their patient – and will apply whether or not a practitioner has a “collaborative” agreement with the relevant NP. The important point is not that the medical practitioner merely accepts some sort of *moral* responsibility, but that he is required to accept *legal* responsibility for a patient who has chosen not to consult him. Furthermore, the limits of that responsibility – what is urgent, what is a reasonable response and so on - will now have to be determined by authority (rather than by the individual as is the case with moral responsibilities). The incorporation of medical ethical codes into legislation has converted what may or may not be moral responsibilities (depending on the moral values of the doctor) into legal responsibilities (depending on the moral values of the State). And our medico-political masters are prepared to extend these responsibilities to the prescribing activities of allied practitioners.

Government directs consumer choice by controlling the circumstances under which choices are made – by providing differential subsidies or excusing some providers from the costs that other providers must bear. In fact, government currently makes relatively few regulatory demands on NPs and has guaranteed to cover the costs of midwife insurance claims greater than \$480,000. Similarly, the nurse-operated walk-in centre in Canberra has received \$10 million in recurrent funding from the federal government and \$2.2 million in capital funding from the ACT government. Of course, medico-politicians can hardly argue about the subsidies provided to their competitors when doctors themselves (thanks again to our short sighted political leaders) have accepted subsidies for their own insurance, infrastructure and other costs.

Government has undertaken to supply a workforce sufficient to provide for the health care needs of a nation yet since health care is a resource with virtually no limits on what could ideally be supplied (and government has other promises to fund) there comes a point at which taxpayers simply cannot fund the ever-increasing demands of the profession. If the same standard of care is to be offered to *everybody* then the standard of care available to *anybody* must be reduced. While we are perpetually disturbed by government's unwillingness to fund certain investigatory tools, procedures and treatments these same considerations apply to the provision of service providers.

Philosophically, whether allied health practitioners might or might not be more costly or less safe is not the critical issue. The point is that it is the proper task of consumers to consider what service provider they wish to attend, what risks they are prepared to take and what they are prepared to pay for a particular service. A genuinely free choice on the part of consumers requires the removal not only of all subsidies but also of all differential regulatory constraints (that must ultimately be reflected in the price). Whether or not nurses or midwives could fund their presence in the medical market place (both within and outside traditional medical practices) without the subsidies provided by government (including the cross-subsidies provided to doctors) cannot be known in the absence of any genuine market test.

B. *Complementary and Alternative Medicine*

Strictly speaking therapies are "complementary" when used in association with standard therapies and "alternative" when patients choose them in place of the standard recommended treatment. Among the most commonly used Complementary and Alternative Medicine (CAM) treatments are herbalism, meditation, chiropractic and dietary therapy. While the prevalence of the use of CAM is uncertain, figures in the region of 50% of the general population are frequently quoted (and these numbers seem to be increasing).⁹⁸ In Australia, the market for natural and alternative therapies is estimated to be \$3-4 billion annually⁹⁹ with practitioners estimated to number in excess of 20,000.¹⁰⁰

98 E. Ernst, 'Prevalence of use of complementary/alternative medicine: a systematic review' (2000) 78 *Bulletin of the World Health Organisation* 252-257.

99 Terri Foran, 'The natural choice' (1 August 2008) *Australian Doctor* 37 and I.D Coulter and E.M Willis, 'The rise and rise of complementary and alternative medicine: a sociological perspective' (2004) 180 *Medical Journal of Australia* 587-589.

100 Paul Smith, 'Blurring the lines' (15 April 2011) *Australian Doctor* 19.

The shortage of medical practitioners has driven many consumers into the arms of alternative providers. Alternative therapies are popular when the treatments offered by traditional therapists are not effective or when all hope of cure has been abandoned. They come to the fore, in other words, when governments mismanage the workforce and in the treatment of problems like headaches, chronic pain and some cancers. Since physicians cannot guarantee the effectiveness of many of their treatment regimes, and side effects may be severe (particularly with some cancer therapies), patients often prefer to try something “safer” first – even though what they try may be ineffective and quite unsafe. As Greg Melleuish has pointed out, people generally do not have a good understanding of the scientific process and are unable to easily distinguish between bogus and reputable knowledge. Besides, the fact that medical treatments previously certified as beneficial and safe have subsequently been withdrawn because of possible and actual harms has led to a loss of confidence in certifying processes and in the claims of traditional medical practitioners. At a deeper level, suggests Melleuish, is the post-modernist belief that one form of knowledge is as good as any other.¹⁰¹

For those who would prefer not to take prescription drugs, lifestyle changes and other non-prescription approaches such as vitamins, herbs, and food supplements present an appealing alternative. CAM therapists are also said to spend more time with their patients – to be more “touchy, feely” – so that the experience is said to be better even if less effective. Not having to obtain and pay for prescriptions is an additional factor in the popularity of these practitioners.

Government is in an interesting position when it comes to the licensing of CAM providers. On the one hand, government would be pleased if the stamp of approval which licensing provides led to an increase in the number of consumers who attended providers who either charged lower fees or whose fees were not subsidized by the taxpayer or whose treatment costs were lower (particularly because they did not involve the use of subsidized prescription medicines). On the other hand, government would not like to see any advance on the current position where only a relatively limited number of the consultations, investigations and treatments of these practitioners are subsidized by the taxpayer (the X-rays of chiropractors, for example).

While the success of an application for licensing as a health profession is said to depend on the potential risk the profession presents to the public, it appears more likely that (in our socialized system) it is the financial implications and the

¹⁰¹ Greg Melleuish, ‘Why smart people believe stupid things’ (May 2008) *Institute of Public Affairs Review*.

electoral strength of the lobbyists that are more relevant.¹⁰² Indeed, if harm was the critical factor homeopaths might have achieved recognition long ago since one of the virtues of homeopathy is that it is insulated from side effects because many of the preparations are diluted to such an extent that not even a single molecule of the original active ingredient remains! While the problem of delayed treatment because of incorrect diagnosis remains, there is probably more potential for harm from many other CAM treatments (impurities, ineffectiveness, delayed treatment, incorrect diagnoses, drug interactions etcetera). The recognition of these risks has actually been a prominent argument for including rather than excluding CAM from regulatory processes – despite the fact that the licensing by government of traditional practitioners and the approval of particular therapies has done little to ensure safety.

The lobbying activities of CAM providers have not only made licensing and increased taxpayer subsidies more likely but they have also led to the provision of a significant amount of money in grants to investigate the use of complementary and alternative medicines in preventing and managing acute and chronic disease. While these grants may simply be a way of distributing the benefits of office in an electorally efficient way, they also underline the loss of the medical profession's grip on the control of distribution of taxpayer money. Funds are no longer distributed exclusively to those with the “proper” qualifications or only to recognized institutions.

Licensing is also said to depend not only on issues of safety but also on evidence of efficacy. Hence, members of the medical profession often claim that there are not two forms of medicine (conventional and alternative), only medicine that is evidence based and medicine that is not. CAM treatments frequently lack any sound supporting evidence for their use and are often based on concepts that ignore sound scientific principles. Many medical practitioners view the licensing and registration of CAM providers as merely providing official approval for frauds and they have snubbed, derided and often hounded from practice many of those traditional medical practitioners who have engaged in “unapproved” treatments. These attacks on their colleagues have generally been pursued through disciplinary processes that make a medical practitioner liable to suspension or deregistration if he engages in practices that deviate significantly from accepted standards.

¹⁰² Paul Smith, ‘Naturopaths join push for health professional registration’ (1 April 2011) *Australian Doctor* 1.

However, the boundary between “conventional, orthodox” medicine and alternative approaches is not as sharply defined as we may be led to believe. Only about 55% of so-called scientific medicine has been shown to be evidence-based and only about 25-40% by randomized controlled trials.¹⁰³ There are many current standard medical treatments that have gained their acceptance through history of use rather than formal clinical testing – and some that have been “proven” useful in the past have now been discarded either because they have been shown to be ineffective or harmful or because better treatments have been discovered. Similarly, many therapies classified as alternative in the past have now been accepted as proven. Once a treatment has been proved effective it crosses over into standard medical practice and loses its status as “alternative”. Experimental therapies currently in clinical trials would be viewed as being in the process of crossing over into acceptance as standard treatments.

Similarly, the traditional “alternative” use of plants has provided the source of some of our most valued modern medicines. The blockbuster drug Oseltamivir for treating H1N1 influenza is made from shikimic acid extracted from the fruits of Chinese staranise, and long employed as a herbal treatment for influenza. Aspirin comes from white willow bark and morphine from the opium poppy, both used by the ancient Greeks. Eli Lilly was led by African folklore to the discovery of the Madagascar periwinkle, which was developed into vinblastine and vincristine for the treatment of childhood leukemia and Hodgkin’s disease. Similarly, in Australia the traditional plant remedies of the Aboriginals are being studied with a view to the development of modern drugs.¹⁰⁴ Clearly, there is a big difference between saying that we ought not to be guided by something that has been shown to be false and saying that we ought only to believe what has been shown to be true.

If the practice of CAM is going to be considered a marker of charlatanism then the number of identifiable charlatans, including traditional medical charlatans, is bound to increase. University medical faculties are increasingly offering courses in alternative medicine and the Australian College of General Practitioners has opened its own Faculty of Integrative Medicine where GPs are able to learn about “a wide range of mind-body subjects, including spirituality, meditation, hypnosis, environmental medicine and evidence-based herbal medicine”.¹⁰⁵ The teaching of

103 MM Suarez-Varela, A Llopis-Gonzalez, J Bell, M Tallon-Guerola et al. ‘Evidence based general practice’ (1999) *15 European Journal of Epidemiology* 815-819; D Abeni, C.R. Girardelli, C. Masini et al, ‘What proportion of dermatological patients receive evidence-based treatment?’ (2001) *137 Arch Dermatol* 771-776.

104 Susan Semple, ‘Bush bonanza’ (9 May 2008) *Medical Observer* 27-28.

105 Helen Signy, ‘RACGP proposes faculty of integrative medicine’ (4 July 2008) *Medical Observer*.

these subjects and their practice by some medical practitioners is justified on the basis that these treatments are used to complement rather than substitute traditional therapy (so-called “integrative” medicine). Not unreasonably, CAM providers argue that if alternative therapies have gained enough credibility to be taught to prospective physicians in *their* courses then alternative healthcare practitioners should not be excluded from comparable funding support for *their* training, research projects and service delivery. This is an argument that government appears to have accepted. Various universities and TAFEs now supply masters and bachelors degrees in chiropractics and traditional Chinese medicine and diplomas in naturopathy, reflexology and Ayurvedic medicine.¹⁰⁶

Unsurprisingly, the taxpayer funding of education, training and Medicare funding for CAM practitioners has generated considerable criticism. Similarly, it has been suggested that since the insurance industry is subsidized by the taxpayer to the tune of \$3 billion per year, it is inappropriate for policies to offer cover for treatments such as iridology, reflexology and homeopathy. Clearly, these kinds of questions only arise when taxpayer-derived funds are used to privilege one choice over another. The solution is to stop the subsidies and let people choose both insurance and educational programs from the options generated in genuine markets.

The point is that in a socialized health care delivery system the place occupied by CAM will be decided by the State - in the interests of the mythical “public”. While citizens (properly termed “subjects” in this scheme of things) might sometimes suggest that they have a “right” to make choices for themselves about different providers and treatments, these are rights that genuinely exist only in a system based on different philosophical premises that value the individual rather than the collective. In this alternative scheme there are limits on what the State may do and those limits exclude the provision by the State of universal health care and the selective licensing and preferential treatment of particular groups of health care providers. In socialist systems subjects will have their ability to choose CAM compromised by the licensing and subsidizing activities of government. Of course, when government and its advisors devise rules for the collective they can take no account of the specific circumstances of separate individuals. When the State is removed from the equation, no “expert” would have the power to deny an individual access to a particular treatment modality. And the fact of the matter is that even if a properly conducted trial is said to show no net benefit from a particular treatment that does not mean that the treatment benefited no-one in the trial. What

106 Paul Smith ‘Blurring the lines’ (15 April 2011) *Australian Doctor* 19-23.

consumers really require is in order to determine what therapy they should try is adequate and accurate information about the different therapies that are available.

III. SUMMARY

There is an alternative to the view that government and its agents (which increasingly include the medical profession) should compel us all to abide by the decisions they make on behalf of the collective - that the interests of some, that is, must be sacrificed for the good of others. In this alternative view, there is no such thing as “the public interest” only the interests of separate individuals who are entitled to use their own legitimately gained assets and to make free choices for themselves from the full range of possible choices. In this system the trades and professions are licensed in market processes and the make-up of the workforce would be governed by consumer choice.

A large number of undesirable events have accompanied the belief that it is government’s task to protect people from the bad decisions that they may sometimes make. These events are often referred to as “unintended consequences” but they are more accurately inevitable “ignored consequences”.

It is inevitable that a licensing process controlled by government must sooner or later result in the exploitation of the process to serve political ends. It ought also to be unsurprising when deliberate attempts to restrict entry to a particular trade or profession raises prices and creates turf wars whilst achieving very little in terms of patient safety. Regulatory controls inhibit innovation and they prevent patients from gaining access to a wider range of treatment options. In the case of health care, the features of a centralized licensing process are predictably exacerbated when they are combined with a universal taxpayer-funded health system. When government finds that it is simply impossible to fund all the health care promises that it has made it necessarily restricts access to care on a collective basis – including access to the best trained providers. That the interests of some are sacrificed to those of the collective or that people are denied the right to make decisions for themselves are integral components of the system itself.

The problem of identifying and excluding the incompetent is something that markets do quite well. People do whatever is necessary to ensure that they do not fail at the things they undertake particularly when there are considerable costs involved in setting oneself up in business. They will, therefore, ensure that their services are of such a quality that consumers will be willing to pay for them and that a prospective employer will want to employ them and continue to do so. In

the absence of the monopoly protection provided by licensing laws, the capacity of consumers to choose alternative providers would also force professionals to pay greater attention to the wishes of consumers and involve them more closely in the decision-making process.

Contracts between consumers and professionals would likely re-emerge as a way to apportion responsibilities and promote self-determination as well as to resolve many of the difficulties in insurance. In fact, as Gross observes, the recognition of contractual arrangements would “provide the basis for encouraging the entry of new professionals into the marketplace, furthering competition by creating a system of alternative approaches to be legally offered even where restrictive licensing laws are in effect”.¹⁰⁷

In free markets, training and accreditation programs (by a variety of university and professional organizations) would arise naturally and compete for customers on the basis of how well their recommendations predicted quality. The post graduate training that doctors received would be governed by what patients were prepared to pay (rather than by the item numbers and rebates negotiated with government), there would be a range of service providers available with different skills and competencies attracting different fees. Due to all these factors the *overall* standard of care would be higher. Professional discipline would continue to be exercised through the failure to receive referrals or hospital appointments. The incompetent professional would lose respect, reputation and business and would be liable to legal action for negligent service provision.

The unwillingness to question the sacred principles that underlie a system that is clearly not working have resulted in reforms that have concentrated on the surreptitious introduction of quasi-market principles at various points in the system – permitting, for example, the “market” entry of some providers but not others. However, nothing less than a full return to genuine markets in the delivery of health care will solve the problems that beset the current system.

107 Stanley Gross, *Of Foxes and Hen Houses* (Greenwood Press, 1984) 179.

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The Theory and Ideas of Libertarianism

ABSTRACT: The essential characteristics of libertarian thought include (1) a concept of human nature based on rational individuals pursuing self-determined ends; (2) an emphasis on ideas as motivating human action; (3) a defence of limited government based on a theory of rights or due to big government's tendency to undermine the pursuit of individual (subjective) ends; (4) support for a free market based on a system of property rights and contractual arrangements; (5) social liberty by removing government from regulation of victimless crimes which, by definition, infringe no-one's rights (examples include homosexuality, drug taking, being a bigamist, a capitalist etc.) and (6) the pursuit of limited government through procedural mechanisms such as bicameralism, constitutions and federalism.

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Libertarianism is a political philosophy which has been given considerable attention since the publication of Nozick's *Anarchy, State and Utopia* in 1974. Coincidentally it is at about this time that groups of people emerged in Australia who engaged in political activity to promote a libertarian free-market economy and a minimal state which was to abstain from virtually all interference in people's lives. Most of

these people had never before taken an active interest in politics. They were motivated by a belief in the ideals which they held, and the confidence that in politics and all realms of human action “ideas count”. Several decades later many of these ideas are firmly entrenched at the centre of political debate.

This paper looks at libertarian ideas and how it promotes a vision of the good society. Libertarianism has a background which can be traced to diverse origins. In many respects it is derived from the ideas of classical liberalism and individualist anarchism and is a fellow traveller with modern schools of public choice theory, economic rationalism, the Chicago School of economics, objectivism and other theories which are concerned about the role of the state. Nonetheless, when compared with these other contemporary developments, libertarianism emerges as a more radical defence of the free-market and limited government. Yet it is more than a radical development of other more “moderate” ideas since libertarian theory can stand on its own as a proponent of its particular concept of liberty.

In outlining the important aspects of libertarian thought it will also be necessary to consider the most important criticisms of them. Given the range of ideas which share intellectual ground with libertarianism it is important to establish just what makes an idea or author distinctively libertarian. Libertarian influences can be seen in a number of writings which are by no means libertarian. Thus the distinctive elements of libertarianism must be defined.

Libertarianism cannot readily be classified in terms of a “left-right” political spectrum. Hyde has pointed out the free-marketeters in the French Parliament which gave rise to that classification sat on the left of the house.¹⁰⁸ Despite this however those aspects of libertarianism which support property rights, the market and oppose state provision of charity have often been associated with the “right” in contemporary usage. On the other hand libertarians will invariably defend personal freedom in areas such as the use of narcotics or the role of the state with respect to choice of lifestyle or private sexual habits, which are more commonly associated with the label “left”. In both situations the libertarian position can be described as “liberal”.

Separating libertarian ideas from what has been traditionally known as liberalism is a difficult task. The term libertarian has quite explicitly been coined to overcome what was seen as changes in the use of the term “liberal”, particularly in the United States, where it is used to describe “progressives” who advocate an active role for the state in the redistribution of income and the care for people and groups who are seen as disadvantaged by the operation of the market.

¹⁰⁸ John Hyde, ‘The Dry Side’, *The Weekend Australian*.

In ‘Why I Am Not a Conservative’, F. A. Hayek expresses disappointment with changing usage of the term “liberal” and acknowledges that a new label describing the beliefs of those advocating the principle of limited government, the rule of law and free markets might now be needed.¹⁰⁹ He dislikes the “libertarian” label for aesthetic reasons more than any other. In the terminology of Hayek libertarianism, though deriving from that school of thought described as classical liberalism, is sufficiently unique to make it independent from the liberal tradition with which it shares common heritage. These differences are illustrated by the affinity which many libertarians¹¹⁰ feel with individualist anarchist writers.¹¹¹ The impact of these ideas on traditional liberalism has been negligible. However the conclusions of libertarian arguments are predominantly based on assumptions and approaches to the analysis of questions in political thought which are similar to those usually described as liberal.

Libertarianism has been thought of as a revival of the ideas of classical liberalism.¹¹² This elucidates some of the historical background of libertarianism however libertarian authors and others influenced by their work have added to those earlier ideas original arguments and the benefits of contemporary experience. Liberalism in part emerged as a response to the rule of absolutist European monarchs. Libertarianism draws on the experience of an era when monarchy has all but disappeared but the power of the state is seen as not having greatly diminished, still offering a threat to people and civil society.

I. LIBERTARIANISM, RIGHTS AND GOVERNMENT

Libertarianism, in keeping with its heritage in classical liberalism, begins its consideration of the type of social organisation appropriate to the human race with assumptions about human nature. Only some universally applicable characteristics of human nature are relevant to libertarian theory. Considerations of “human nature” and the “state of nature” as examined in the classic works of Hobbes and Locke are closely linked since the state of nature is developed into an abstraction within which the consequences of human nature for human interaction can be

¹⁰⁹ F.A. Hayek, ‘Why I Am Not A Conservative’, *The Constitution of Liberty* (Routledge, 1956).

¹¹⁰ Murray Rothbard, *The Ethics of Liberty* (New York University Press, 2003).

¹¹¹ Lysander Spooner, ‘The Indefensible Constitution’ in George Woodcock (ed), *The Anarchist Reader* (Fontana Press, 1980) 103-107.

¹¹² Marian Sawer (ed) *Australia and the New Right* (George Allen and Unwin, 1982) 20-21.

examined.¹¹³ Among the fundamental characteristics of human nature stressed by libertarians are the requirement for purposive action to maintain one's existence, the human capacity for reason as a means of guiding that action and the requirement for interaction between individuals to secure at least minimal conditions for existence. From these first principles many libertarians develop their entire theories of politics, economics, law and "human action". However, important distinctions must be made between those theories essentially descriptive or analytical of human behaviour¹¹⁴ and those which use them to develop normative theories about the proper role of the state.¹¹⁵

There is an assumption of "self-interest" in individuals in libertarian writing. The characterisation of market man as acquisitive, naturally unequal and self-serving is regarded by critics of libertarianism as inaccurate.¹¹⁶ However for libertarians self-interest derives from the reasoning nature of individuals and acquisitiveness from mankind's need for existence (food, clothing). The logic of libertarian arguments is said to be universally applicable. Clearly rights and other factors in human interaction apply even to those who, like critics, consider themselves guided by something other than self-interest or acquisitiveness. Indeed, this very diversity of human ends is basic to libertarian theory.

Individualism has two different aspects: ethical individualism and methodological individualism. Ethical individualism is typified by the works of Ayn Rand (an objectivist not a libertarian) who founds ethics in a consideration of individuals' actions and individual effects and benefits.¹¹⁷ Typically a morality of rational self-interest or "rational egoism" is proposed as a guide to individual action and as a source of generalisations about what behaviour is legitimate in public affairs. Methodological individualism is the means which libertarians propose as the basis for the study of human societies. Founded in the "the actions of individual men",¹¹⁸ this approach is emphasised by the Austrian School of economics and adopted by public choice theorists¹¹⁹ who seek to explain the actions of individual decision makers in terms of furthering their own interests however defined.

113 Robert Nozick, *Anarchy, State and Utopia* (Basil Blackwell, 1984) 3-25.

114 Ludwig von Mises, *Human Action* (Henry Regnery, 3rd ed, 1966) 11-29.

115 Such as Ayn Rand, *Atlas Shrugged* (Signet, 1956).

116 M. Sawyer, above n 5, 34-35.

117 Ayn Rand, *The Virtue of Selfishness* (Signet, 1965) 13-35.

118 Mises, *Human Action*, above n 7, 41.

119 James Buchanan and Gordon Tullock, *The Calculus of Consent* (University of Michigan Press, 1962).

Many libertarian writings are grounded in a theory of rights. But utilitarian defenders of libertarianism reject the notion of natural rights;¹²⁰ they stress the superior performance of free-markets in providing for people's wants and needs.

Rothbard¹²¹ establishes a "non-aggression" axiom as the basis of the libertarian creed. He suggests three general foundations for this axiom of which the natural rights foundation is only one. This non-aggression axiom is evident in the principle of the Australian Progress Party which states that "No person or group of people has the right to initiate the use of fraud, force or coercion against any other person or group of people".¹²² This axiom is derived from a theory of rights rather than being a statement of the theory itself. The foundation of the theory is divided between those who base it on a fundamental right to life¹²³ and those that base it on a Lockean formulation of property rights¹²⁴ amongst which is the essential inalienable right to property in one's person. From these libertarians derive legal and ethical constraints against assault, slavery, conscription, murder and other crimes against the person. The status of real property is usually met by following Locke's argument that if "he hath mixed his labour with it, and joined it to something that is his own, [he] thereby makes it his property".¹²⁵ Friedman,¹²⁶ however, points out that only a fraction of all capital in the United States is "real property"; most is improved land, machinery, household items and such, which have clear origins in either the labour or thought of individuals and has subsequently been traded.

The second approach to a moral defence of liberty is that typified by the work of Rand¹²⁷ which rejects altruism as a basis for ethical behaviour. The major writings of Ayn Rand are contained in fictional novels and are therefore open to a variety of interpretations, so much so that the former Australian Prime Minister Malcolm Fraser found an affinity with her writing.¹²⁸ Rand's system of ethics is based on an individual hierarchy of values. Living one's own life is necessarily the foremost of these. Rand condemns altruism on the ground that it sacrifices higher

120 This is the approach of von Mises, who as a utilitarian liberal dismissed natural law as "non-sense upon stilts". His utilitarian position is examined by Murray N. Rothbard in Edwin Dolan (ed), *The Foundations of Modern Austrian Economics*, (Sheed and Ward, 1976) 99-109.

121 Murray Rothbard, *For a New Liberty* (Macmillan, 1973) 23-24.

122 Constitution of the Progress Party of New South Wales.

123 Ayn Rand, 'Mans Rights', *The Virtue of Selfishness*, above n 10, 92-106.

124 Nozick, above n 6, 28-35 and 178-182.

125 John Locke, *Two Treatises of Government* (Everyman Edition/Dent, 1984) 130.

126 David Friedman, *The Machinery of Freedom* (Arlington House, 1978) 3-14.

127 Ayn Rand, *For the New Intellectual* (Signet, 1961) 117-192.

128 John Singleton and Bob Howard, *Rip Van Australia* (Cassell, 1977) 50.

values for the sake of lesser ones. Thus she dismisses the idea that citizens have a duty to attend to the material welfare of others since the value of one's own life is supreme. Within this framework Rand sees a role for benevolence based on the free choice of an individual to assist others in recognition of one's own values manifested in another. For Rand it is a denial of the most fundamental rights for the state to use private monies – which might have been used to finance support for family and friends, charitable trusts, a new car or a fashionable hairdo – for general purposes which owners of the money might not agree with and have no duty or obligation to observe.

Rand has many strident critics. According to some her philosophy amounts to little more than a justification of a narrowly based self-interest and hedonism.¹²⁹ This is also a common response to the libertarian minimal state, which will not protect people's moral wellbeing, but only their rights. These responses to Rand do not recognise the subtlety of her position (which might however be challenged on other grounds).¹³⁰ Whilst her account of politics insists on complete liberty to pursue subjective values as long as the rights of others are not infringed, her account of ethics seeks to place personal ethics on an objective basis. In some ways it is a highly radicalised version of Enlightenment thought combined with more recent variants of political economy. She posits reason, productivity and self-esteem¹³¹ as the personal virtues on which civil society and mutual benefit are founded. For Rand, objectivity eschews collectivism since each person must come to these conclusions by themselves. She assumes that these conclusions are not only desirable and necessary for human progress but are also likely to be reached given the removal of the intellectual, moral, and ethical stumbling blocks to what she posits as right reason. Integral to Rand's moral defence of capitalism is a rejection of anything that might involve mystical belief.

Hayek's critique of the concept of social justice is also motivated by moral and ethical considerations.¹³² Hayek argues that "with reference to a society of free men, the phrase (social justice) has no meaning whatever"¹³³. He further argues that only

129 Russell Fryer, *Recent Conservative Political Thought: American Perspectives* (University Press of America, 1983); Sidney Hook, Book Review - *For a New Intellectual*, *New York Times Book Review*, 9 April 1961.

130 For subtle critiques of Rand see N. Branden, 'The Benefits and Hazards of the Philosophy of Ayn Rand' (Fall 1984) 24 *Journal of Humanistic Psychology* 39-64; Jerome Tuccille, *It Usually Begins With Ayn Rand* (Laissez Faire Books, 2012).

131 Rand, *For the New Intellectual*, 128.

132 F.A. Hayek, *Law, Legislation and Liberty* (Routledge and Kegan Paul, 1977) vol 2.

133 F.A. Hayek, *New Studies* (Routledge and Kegan Paul, 1978) 57.

the conduct of individual actors can be termed just but not the result of their actions. Thus the operation of a market with a series of individual actions – be they guided by beneficent processes or not – cannot be subjected to criteria such as justice. The market is like a game in which if the rules are followed the end result is valid. For example it might not be considered laudable that Michael Jordan is a richer man than a great scientist or painter, but it cannot be considered unjust and none can be held responsible for an injustice. If justice is a term with meaning then in Hayek's system it must refer to those rules of individual conduct, which once observed, cannot be contradicted by a situation which emerges after the event. In other words, one cannot do the right thing in terms of justice and at the same time do the wrong thing according to "social" justice.

At this stage Hayek's argument becomes very similar to that of Nozick in his critique of "end state" principles of justice.¹³⁴ As Nozick points out, the concept of social justice begs the question as to what type of end state distributional pattern is to be considered just.¹³⁵ For Nozick procedural justice and just acquisition are the relevant considerations for a just society. Not only do end state or patterned principles of justice infringe rights themselves, but under liberty they are not stable and will inevitably be upset. However Nozick's conception of justice can still lead to proposals for radical reform. It is quite possible that, particularly with land, a just procedure for acquisition and transfer has not been followed.

Libertarians see law as arising prior to the state¹³⁶ and constraining all individuals even those who act on behalf of government. At this point anarcho-capitalist libertarians conclude that the state itself must necessarily infringe individual rights by monopolizing protection services and arbitration services. Moreover the right to keep property legitimately earned is infringed through the state's taxation – thus the libertarian injunction that "taxation is theft", turning Proudhon's claims about property¹³⁷ on their head. Taxation and theft are seen as almost exactly analogous: both involve coercive appropriation of property which is then used for purposes decided independently of the wishes of the original owner. In one formulation of the argument that taxation and therefore the state is immoral, Rothbard¹³⁸ says the income tax is a form of slavery or involuntary servitude, in which a percentage of ones labour must be devoted to the state before private purposes can be considered.

134 Nozick, above n 6, 153-163.

135 Ibid 157.

136 F.A. Hayek, *Law, Legislation and Liberty* (Routledge and Kegan Paul, 1973) vol 1, 72.

137 Proudhon in George Woodcock, above n 4, 65.

138 M.N. Rothbard, *For a New Liberty*, 93-95.

The analogy is drawn between taxpayers and medieval serfs who might give, say, a quarter of their produce or three months of the year to their overlord in return for protection.¹³⁹

The libertarian concept of rights only limits individual action if other people's equal rights are infringed. Thus it has been branded as a system of "negative rights".¹⁴⁰ Commonly libertarians will deny a right to welfare payments and minimise aid for those unable to support themselves on the grounds that these are in themselves not rights (although there might be reasons for voluntary support), and that providing for these claims will infringe the actual rights of taxpayers. Similarly, negative liberty prevents the consideration in law of "victimless crimes" such as drug taking, prostitution, lewd writing, homosexuality and other matters of private concern which do not directly infringe the liberty of another person. Libertarians also see the enforcement of property rights as the positive means of solving environmental problems of pollution and disputes over use of public goods. To this point most libertarians agree, but in examining the question of how people's rights will be ensured they diverge. According to the anarcho-capitalist rights should be secured by voluntarily funded agencies formed for this purpose by those wishing to secure their rights.¹⁴¹ Based on the different choices which people might make about the rights protecting agency appropriate to their needs, a complex system of institutional arrangements will evolve to prevent infringement of rights, provide restitution upon violation of rights and resolve disputes between parties involved.¹⁴² This leads the anarcho-capitalist to reject the legitimacy of the state and with it notions of sovereignty, nationhood (in particular the modern nation state) and parliaments, among other things. This has led critics to describe the anarchist strain of libertarianism as a denial of politics.¹⁴³ The anarcho-capitalist theorists combine the idea that the state is immoral with a theory about the mechanisms for voluntary action which will perform the necessary functions which have traditionally been the role of the state.

139 P.B. Dematteis, 'What is Libertarianism' 11 *Southern Libertarian Messenger* 4.

140 Eric Mack 'Individualism, Rights, and the Open Society' in T.R. Machan (ed), *The Libertarian Alternative* (Nelson-Hall, 1974) 21-37; T.R. Machan, *Human Rights and Human Liberties* (Nelson-Hall, 1975).

141 M.N. Rothbard, *For a New Liberty*, 219-250.

142 R. Barnett, 'Pursuing Justice in a Free Society: Part 1 – Power vs. Liberty' (Summer/Fall 1985) 4 *Criminal Justice Ethics* 50; Barnett, 'Pursuing justice in a free society: part 2 – crime prevention and the legal order' (Winter/Spring 1986) 5 *Criminal Justice Ethics* 30.

143 S.L. Newman, *Liberalism at Wits End* (Cornell University Press, 1984) 162.

A moderate libertarian approach suggests that the preservation of rights is the sole rationale for the existence of the state.¹⁴⁴ Thus the state protects rights through a system of courts to prove rights infringements and to arbitrate in disputes about property rights, a system of police to enforce those determinations and a defence force with the function of protecting this framework from external threat. For the minarchist libertarian these functions are to be minimal. Hence the minimal state is an essential though not sufficient condition for libertarian democracy. It is at this juncture that the libertarian concern about the corrupting effects of power is most discernible; in their view there is a need for institutional limits on government through constitutionalism, division of powers, a Bill of Rights limiting the sphere of government action, public scrutiny and other means. In these matters libertarians consider that modern states have failed and are manifestly statist.

For all libertarians the essential characteristic of the state is its monopoly on the legitimised use of coercion in a given geographical area. Minimal state libertarians argue that this monopoly is legitimate if used in proportional retaliation against infringements of people's rights. For anarcho-capitalists however, this monopoly itself infringes rights and grants control in the very area where a monopoly would be most dangerous. Advocates of the minimal state are not necessarily hostile to government however they are opposed to the extension of state power beyond a strict domain. In providing a comprehensive critique of the modern state, libertarianism, at least superficially, shares ground with Marxism. However as illustrated by Rothbard,¹⁴⁵ it is grounded in concepts of natural law and shares with conservatism the idea of defending rights not through legislation per se, but through appeals to longstanding traditions, precedents and procedures which have evolved over time.

II. THE LIBERTARIAN ACCOUNT OF ECONOMICS

The minimal state libertarian's economics has affinities with classical liberal thought concerning free-trade and economic regulation. Utilitarian proponents of liberty base their conclusions on the study of the means appropriate to achieving given ends. They argue that if the desired ends are individual freedom and maximum prosperity then of the alternatives proposed the free-market is the most efficacious means of preserving liberty and economic prosperity. Since the market is based on voluntary exchange agreements and contracts, mutual consent

¹⁴⁴ Ayn Rand, *The Virtue of Selfishness*, 107-115.

¹⁴⁵ M.N. Rothbard, *The Ethics of Liberty*.

can infringe the rights of neither party (there are some interesting issues here – Rothbard argues that property rights in one's body and will are inalienable so a voluntary commitment to service in the form of selling yourself into slavery is illegitimate and therefore void. Also, contractual agreements must not infringe the equal rights of third parties).

In this, libertarians have been greatly influenced by the Austrian school of economics. Through its critique of the labour theory of value, Austrian theory provides substantive grounds to challenge Marxism as an alternative means of examining capitalist production.¹⁴⁶ In particular, the Austrian school rejects the economic planning of socialism¹⁴⁷ as well as the idea of a mixed economy. In the tradition of value free social science, Austrian economics cannot comment on the ethical proposition that taxation is wrong; it can demonstrate the effects of different systems of taxation and provide criticisms of the uses of tax funds.

According to Austrian economists regulation will fail for numerous reasons. Amongst these is the principle of uncertainty (or imperfect knowledge).¹⁴⁸ Uncertainty will hinder regulation since the regulator can never know all of the factors which might impact on decisions and flow from them. The market, as a complex system of price signals sending information about the decisions of all participants, cannot be duplicated or anticipated by the regulator. The classic illustration is price controls.¹⁴⁹ If government or their agents determine a fixed price for a good, they will do so either below the price it would otherwise trade at to prevent consumers becoming unable to afford the product, or above that price to provide support for producers. It is almost a truism in economics that a lower than market price will lead to shortages (an example being the reduced availability of housing under rent controls) while a high price will lead to surpluses (as the mountains of European Economic Community agricultural produce illustrates). Thus the would-be controller of prices must often seek to approximate the market price anyway. Even to know the consequences of a control, the market or equilibrium price must be known. It is this prediction which is not feasible since the number of individual decisions which lead to a market price are too large to anticipate and are not known in advance of the price control decision.

146 Ludwig von Mises, *Socialism* (Jonathon-Cape, 1936) 133.

147 *Ibid* 211-222.

148 Mises, *Human Action*, 11-29 and 105-118.

149 Sudha Shenoy (ed) *Wage-Price Control: Myth and Reality* (Centre for Independent Studies, 1978).

The logical flaws of price control have wide ramifications since they apply not only to markets for goods but also to markets for labour and money. To the extent that subsidies send incorrect information to market participants they will also lead to an allocation of resources which would not otherwise be the case and is based on false assumptions by participants. The discovery of this error can have drastic effects as appropriate changes are made to correct past actions. A subsidy to a tin producer for example, sends false information to the tin market, the stock market which listed the tin producer, the finance market which provided credit for the producer, the labour market which supplied labour to the producer and so on.

The mechanisms of such decisions lead to the Austrian theory of the business cycle. This theory has important implications for the understanding of the history of capitalism and the reasons why some people reject it.¹⁵⁰ The Great Depression is explained not as a failure of capitalism to automatically reach equilibrium between aggregate supply and demand and hence full employment as in a Keynesian model,¹⁵¹ nor as just the result of the monetary policy of the Federal Reserve Board as suggested by monetarists.¹⁵² Rather the Austrian analysis, based on the trade cycle work of Hayek,¹⁵³ looks at the effects of the monetary system on decisions and allocations of economic participants. The conclusions to be drawn from this analysis are not that an appropriate economic policy mix or a sound monetary policy would have solved the problems, but that in the dynamic mechanism of the economy, any attempt to guide the economy will potentially upset its operation.¹⁵⁴ According to Austrians a market free of regulation will not eliminate cyclical movements in the economy but will see the effects being limited to particular sectors, thus ensuring less extreme cycles and the more rapid righting of the problems involved.

Libertarians place emphasis on global free trade and its corollary of free-movement around the world for all individuals. Ludwig von Mises¹⁵⁵ has described international free-trade as the best means of preventing war and preserving peaceful co-existence between different nationalities. Tariffs, quotas and bounties are all condemned by a large body of theory as harming consumers of goods for the benefit of sectional interests. State protectionism to secure the employment of people

150 F.A. Hayek (ed) *Capitalism and the Historians* (Routledge and Kegan Paul, 1954).

151 G.P. O'Driscoll and S.R. Shenoy, 'Inflation Recession and Stagflation' in E.G. Dolan (ed), *The Foundations of Modern Austrian Economics* (Sheed and Ward, 1976) 188-190.

152 Ibid 190-194.

153 F.A. Hayek, *Monetary Theory and the Trade Cycle* (Jonathon-Cape, 1933).

154 G.P. O'Driscoll and S.R. Shenoy, above n 44, 206.

155 Ludwig von Mises, *Liberalism* (Sheed Andrews and McMeel, 1978).

in Western countries is presented as one of the principle external limits to the further economic progress of third-world countries. Whilst accepting the good intentions of those who propose the protection of people and industries, their policies are rejected as misguided and counterproductive.

Other economic arguments include the suggestion that safety and quality regulations setting minimum standards inadvertently produce a maximum standard and reduce the incentives for improvement, in effect reducing average levels of safety or quality and depriving the consumer of the protection which reputation or goodwill can provide.¹⁵⁶ They also argue that the provision of welfare not only removes incentives to work, but in combination with minimum wage laws reduces the standard of living of people whose labour would otherwise provide an income between the value of welfare and that of the minimum wage. A great deal of recent Australian writing considers the impact of labour market regulation, concluding that its detrimental effects include higher unemployment, lower wages for some, inflationary effects and productive inefficiency.¹⁵⁷

Economists provide two standard arguments for a larger role for government in an essentially capitalist economy.¹⁵⁸ Some economists suggest that “market failure” is manifested in the rise of monopolies, or collusion between the major competitors at the expense of smaller competitors. The solutions offered include measures such as the United States antitrust laws. But libertarians attribute the rise of most monopolies to the granting of privilege through tariffs, subventions and infrastructure support to established firms thereby limiting competition. It is suggested that on a free market, collusion will inevitably break down and fail as the benefit of being the first firm to breach an agreement and the costs of being the last adherent are weighed up. The monopolist will always be subject to smaller competitors. It is also pointed out that the largest monopolies are controlled by the state. Legislation is the basis of monopolies in post and telecommunications, the marketing of agricultural products, railways, suburban transport, public utilities, duopoly in airlines and similar circumstances in other industries.¹⁵⁹

The second argument relates to the provision of public goods. Public goods are goods of such a nature that they cannot be provided to an individual without also

156 Alan Greenspan, ‘The Assault on Integrity’ in *Capitalism the Unknown Ideal* (Signet, 1967) 118-121.

157 John Hyde and John Nurick, *Wages Wasteland* (Hale and Iremonger, 1985).

158 This can be found in almost any elementary economics text e.g. J. Jackson and McConnell, *Economics* (McGraw-Hill, 1980) 99-114.

159 R. Albon, *The Telecom Monopoly: Natural or Artificial?* (Australian Institute for Public Policy, No. 5, 1986).

providing them to a wider group. Given this, there is an incentive for each person to opt out of paying for the good – in which case it will not be provided at all even if each person would benefit from its provision. Examples of public goods are clean air, national defence, open roads and items of aesthetic beauty. The solution of mainstream economists is to force each person to pay for the good through the taxation system. Thus government becomes the provider of “public goods” (a function envisaged by Adam Smith).¹⁶⁰ The public good problem is considered in detail by David Friedman the libertarian son of economist Milton Friedman.¹⁶¹ He suggests that several solutions to the problem exist such as contracts with unanimous acceptance clauses, making a public good private through property rights (or in the case of pollution, enforcing rights which government legislation has waived) or voluntary sanctions on those who don’t chip in. However national defence still provides the most difficult problem for libertarians.¹⁶²

Consideration of economics by libertarians leads them to the conclusion that market solutions are efficient, in accord with people’s rights and better at securing people’s welfare than any of the alternatives. The strongest reason for endorsing *laissez faire* rests on the argument that denial of economic liberty in whole or in part leads to the arrogation of liberty in general. This is the thesis of Hayek’s *The Road to Serfdom*.¹⁶³ In an argument which has had a profound impact on contemporary advocates of the free market, Hayek suggests that centralised direction of economic resources necessarily involves ever increasing infringements on liberty. For example:

- The determination of uses of paper and printing resources, if not determined by choices in a free-market, will lead to judgments by those in authority over what should be printed, limiting freedom of speech;
- The difficulties of many people desiring entry to the same jobs will prompt central labour planning if a wages market is not allowed to operate;

160 Adam Smith, *The Wealth of Nations* (Penguin, 1985).

161 D. Friedman, *The Machinery of Freedom*, 185-197; 213-217.

162 On this issue minimal state libertarians suggest that defence could be paid for by the surplus generated from the user paying for certain governmental services such as the enforcement of contractual arrangements by the courts. This has problems if a choice of using private services of arbitration is allowed. These services which do not have the burden of paying for defence will necessarily be cheaper and undermine the official service. Other proposals include provision by insurance, which faces similar problems, and Friedman’s suggestion that in the process of dismantling the government defence providing institutions might emerge endowed for that purpose. Friedman concedes that if hostile nations continue to threaten others, the last vestiges of coercive taxation and government might linger a bit longer.

163 F.A. Hayek, *The Road to Serfdom* (University of Chicago Press, 1975).

- Limited means available to support artists, musicians and others whose income is based on different valuations by a multitude of people would require judgements to be made by arbitrary methods.

Hayek argues that the economic problems with planning of any kind will lead to increasing restrictions on individual choices and actions as well as greater limits on the operations of business because the limited knowledge of the planner can only be rectified by directing the operations of the economy. This process of planning leading to economic restrictions, undermining democracy, promoting the “rise of the worst” to positions of power is what Hayek describes as the “road to serfdom”. For Hayek the alternative path of capitalism provides many benefits which act against the tendency for a concentration of power. In traditional pluralist terms Hayek and his successors point out that capitalism provides the means by which its opponents propagate their ideas.¹⁶⁴ It disperses economic resources widely so that no group or government can have a monopoly on sources of information or media presenting it. These are benefits in addition to those of prosperity and justice.

If one accepts the economic achievements claimed for capitalism it is relevant to question why it is not popular with either governments or voters. Many critics dispute the claims made for *laissez-faire*, blaming it for child labour in coal mines and textile factories, the relatively poor living conditions of most people in 18th century Britain, massive inequality in wealth, and powerful economic and landed interests dictating terms to governments.¹⁶⁵ Libertarians challenge many of these assertions about the effects of capitalism by contrasting the industrial revolution with earlier periods and alternative systems.¹⁶⁶ Other critics, including Marx, have accepted that capitalism has increased people’s welfare and produced great material wealth but nonetheless reject it as a desirable form of organisation.¹⁶⁷

III. CRITICS OF LIBERTARIANISM

There are many important critiques of libertarian ideas which date back to the responses of Marx or Hobhouse¹⁶⁸ to *laissez-faire*. A number of works are specifi-

¹⁶⁴ Ibid 100.

¹⁶⁵ Herman Finer, *Road to Reaction* (Little Brown and Co, 1945).

¹⁶⁶ F.A. Hayek (ed) *Capitalism and the Historians* (University of Chicago Press, 1963).

¹⁶⁷ Karl Marx in C. Cohen, *Communism, Fascism and Democracy* (Random House, 2nd ed, 1972) 81-83.

¹⁶⁸ L.T. Hobhouse, *Liberalism* (Williams and Norgate, 1926).

cally relevant to the application of these ideas in Australia and should be kept in mind as possible explanations for resistance to libertarian ideas. The most prolific academic critic of libertarianism in Australia is Marian Sawer.¹⁶⁹ Her critique draws on criticisms of earlier “liberals” which dismissed *laissez-faire* for its lack of social provision for those who fail in the market place and for failing to tackle the problems of unequal power based on wealth in contractual arrangements. Sawer starts with the libertarian notion of property, suggesting that it ignores the social basis of property, knowledge and the products of the entrepreneur. In suggesting that individual rationality might add up to collective irrationality (the fallacy of composition),¹⁷⁰ Sawer asserts notions of social justice as a historical reality and a response to collective irrationality.

In considering the libertarian concept of human nature Sawer presents a caricature of “libertarian man” which reflects what she sees in later works as the merging of “neo-liberal” and neo-conservative thought in Australia.¹⁷¹ This caricature relies on extending the way in which people interact in a market to all realms of human action and an emphasis on a perceived hostility to women and their interests. Whilst libertarians do not suggest a split in human nature between business and the rest of people’s lives they do envisage a range of voluntary forms of collective action which do not involve the state and the ultimate sanction of legislation. Libertarians do not seek to deny those aspects of people’s nature which complement the distinctive and relevant characteristic of rationality. The tensions Sawer sees between an emphasis on the family as a basic social unit and the interests of women¹⁷² is not a tension within libertarian thought, but as Sawer acknowledges elsewhere,¹⁷³ a tension between libertarians and others who defend the free market. Libertarian thought cannot encompass any legislative or social restrictions on the actions and careers women might wish to pursue. Whilst Sawer suggests that the desire to do away with the public sector will remove the area where women have been most successful,¹⁷⁴ it might be pointed out that women are least well represented in the most heavily unionised industries. It should also be noted that this correlation need not represent causal effects.

169 M. Sawer (ed.) *Australia and the New Right* (George Allen & Unwin, 1982).

170 M. Sawer, ‘The Philosophy of the New Right’ (July 1987) 64 *Current Affairs Bulletin* 30.

171 *Ibid* 27.

172 M. Sawer (ed.) *Australia and the New Right*, 36-37.

173 M. Sawer, ‘The Philosophy of the New Right’ 27.

174 *Ibid* 31.

The most common point raised against libertarian thinkers is that they lack an understanding of the full sweep of power. It is suggested that libertarians are obsessed with political power and consequently ignore the exercise of economic and social power. Economic power is wielded through the purchase of the rudiments of survival and through disproportionate access to justice in the legal system. The libertarian response suggests that its critics cannot see the other side of the coin, namely, the link between political and economic freedom which would allow economic disparities to be alleviated.

Some Australian responses to libertarian ideas suggest that while liberty might be relevant in America it is inimical to Australian character.¹⁷⁵ These critics point to the historical dependence of the Australian people on the state for the provision of infrastructure, a convict heritage, the long tradition of protectionism and an egalitarian national tradition.

Many other areas exist in which libertarian ideas can be tackled, for example the realms of rights theory, economics, historical context and logic. Typical of debate in these areas is that surrounding the work of Rawls and Nozick. There is also a conservative critique of libertarianism which denies libertarian concepts of human nature, asserting that man is innately flawed by original sin, rejects most concepts of “rights” and suggests some essential need for order, direction and community links. These arguments, typified by the response of Edmund Burke to the French Revolution¹⁷⁶ or more recently expounded by Roger Scruton, are important, but have few articulate Australian exponents.

IV. SUMMARY

There are a number of libertarian authors who consider a range of other aspects of social thought, including philosophy, democracy, the role of women, critiques of egalitarianism, welfare state policies, vested interest groups, corporatism and public corruption, revisionist history, the history of ideas and the rise of fascism. Not all of these can be considered here but they are based on the essential characteristics of libertarian thought discussed above. These characteristics include:

- A concept of human nature based on rational individuals pursuing self-determined ends;

175 K. Coghill (ed.) *The New Right's Australian Fantasy* (McPhee and Gribble/Penguin, 1987) 130; 140.

176 E. Burke, *Reflections On The Revolution In France* (Everyman Edition/Dent, 1964).

- An emphasis on ideas as motivating human action;
- A defence of limited government based on a theory of rights or due to big government's tendency to undermine the pursuit of individual (subjective) ends. Anarcho-capitalists argue the state should be completely dismantled;
- Support for a free market based on a system of property rights and contractual arrangements;
- Social liberty by removing government from regulation of victimless crimes which, by definition, infringe no-ones' rights (examples include homosexuality, drug taking, being a bigamist, a capitalist etc.)
- The pursuit of limited government through procedural mechanisms such as bicameralism, constitutions and federalism.

Libertarians are sometimes influenced by non-libertarians. Yet to consider a person or group libertarian all of these positions should be reflected to some degree. For libertarians, modern government is not just in error and capable of being altered. At every step governments and their agents are seen as being involved in immoral activity.

The Journal of Peace, Prosperity and Freedom

BRIAN P. SIMPSON

Response to Chris Leithner's review of Money, Banking, and the Business Cycle

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In his review of my book *Money, Banking, and the Business Cycle*, Chris Leithner states that my major conclusions are sound but my methods are not.¹⁷⁷ He spends much of his review illustrating the differences between my epistemological methods and those of the Austrian school of economics. I agree with him that there are major epistemological differences between the Austrian school and me. However, his review doesn't illustrate my errors—as he thinks—it reveals the errors of the Austrian school.

Before discussing the more fundamental errors, I must reveal Leithner's factual errors regarding the claims he makes about the content of my book. For example, he claims that I don't define money market mutual fund (MMMF) and money market deposit account (MMDA). However, in the same paragraph from which he quotes a statement that I make about MMDAs and MMMFs being a part of the money supply (volume 1, page 11), I define those terms. I provide further explanatory matter on the nature of MMMFs on page 18.

The second error occurs when Leithner says I neither provide nor cite estimates for the portion of MMMFs that have check-writing capabilities on them. He says this while quoting me from page 11. On page 13, in the discussion where

¹⁷⁷ Chris Leithner, 'Book Review – Money, Banking and the Business Cycle' (2014) 3 *Journal of Peace, Prosperity and Freedom*.

I provide estimates for different measures of the money supply, are the very estimates Leithner claims I don't provide. Note 6 on that page directs the reader to the citation (on page 247).

The last error of this kind occurs when he says that I retreat from my claim that MMMFs and MMDAs are a part of the money supply, after I had already claimed that they were. He says this because on page 11 I say they "are a part of the money supply, with some qualifications." However, there was no retreat. Apparently Leithner missed the statement on page 10—where I first introduce MMMFs and MMDAs and mention they are a part of the money supply—that says "I discuss qualifications . . . below".

There are more significant errors that Leithner commits that do not pertain to his reading comprehension abilities. These errors pertain to the methodology of the Austrian school.

The difference in methodology between the Austrian school and me begins to be revealed when Leithner states that my identification of the monetary components in the economy is not validly reasoned from the definition of money. Leithner's implicit view here appears to be: define the concept first and then see what referents are subsumed by the definition. However, this has it backwards. Valid definitions are based on the essential characteristic(s) of a concept: the one(s) that make it the kind of thing it is and best distinguishes it from other concepts. We identify these characteristic(s) through observation.

How does one arrive at a proper definition without reference to the characteristics of the referents of that concept? What facts are used to ground the definition and concept in reality? Is one supposed to define the concept arbitrarily? If so, then money could be defined as a recreational vehicle with four wheels. If one applied this method consistently, one could define concepts in any manner whatsoever. This would lead to intellectual chaos.

Based on his description of what is to be done, one could not establish a valid definition. The fact that Austrians have established some valid definitions is because, at least implicitly, they are using the proper method of defining concepts that I mention here.

Where I share common ground with Leithner is on the issue of applying the definition to identify new referents that are subsumed by the concept. This is done after one has defined the concept by identifying its essential characteristics. This is how one determines the components of the money supply, and this is precisely what I do.

Leithner also thinks I have difficulty establishing a measure of money because I don't reason validly from the definition of money. However, it's not difficult for

me to establish a measure of money because I'm not properly applying the definition. It's difficult because sometimes it's not easy to determine how many people use certain accounts as money (i.e., to write checks on) and how many do not. Furthermore, sometimes the data are not reported. Therefore, it's difficult to obtain the data one needs to measure the money supply. It's made more difficult in a heavily regulated, fractional-reserve checking system in which the lines are blurred between accounts used as money and accounts used for saving and investing. However, even in a free market data on money may be difficult to obtain to the extent the data aren't widely collected and reported.

Leithner's complaint about my inability to provide a precise measure of the money supply is essentially a complaint that it's sometimes difficult to collect data and measure accurate values. This isn't a legitimate complaint. It's easier to collect data if one has a massive budget to do so, which is what government data collection agencies have. So if one is using standard data in one's research that is collected by the government, it's more likely that one will be able to obtain accurate data. However, if one wants to use non-standard data and has a budget of zero (like me), it's much more difficult to obtain precise measures.

Leithner also rejects the claim that MMMFs are money. In his analysis of why MMMFs are not money, he becomes confused by the use of the term "securities" to categorize MMMFs and by the belief of some Austrian economists that money can only include the means of "final payment" for goods. Because MMMFs are securities that provide a claim to ownership in short-term credit instruments, he thinks they are not money. Nonetheless, as I state in the book (volume 1, page 18), there is no fundamental difference (in terms of their influence on the money supply) between shares of ownership in short-term credit instruments and being a creditor to a bank where the majority of the account at the bank to which the creditor has a claim is backed by credit instruments (i.e., is a fractional-reserve checking account).

When the MMMF manager receives money, he purchases short-term credit instruments and maintains a checking account at a bank to transfer funds. When one deposits money in a checking account at a bank, the bank will use some of the reserves to make loans and purchase short-term credit instruments. The result is essentially the same: one has an account on which one can write checks that is only partially backed by reserves. In both cases, ultimately, credit instruments are turned into reserves to pay recipients of checks.

The indirect process used by MMMFs to transfer funds does not deny that they are money. In other words, it doesn't matter that the MMMF is not the final

means of payment. Being a final means of payment is not an essential characteristic of money. As proof of this, note that checking deposit funds are not the final means of payment when the payee is an MMMF account holder. They must be converted to the asset the MMMF account holder receives as payment.

In another attempt to prove that MMMFs aren't money, Leithner uses the fact that at a grocery store, for instance, units of an MMMF wouldn't be accepted in payment without the use of a check drawn on the MMMF. However, units of a checking deposit would not be accepted either. I challenge Leithner to pay for groceries with checking account funds without writing a check.

MMMFs become a part of the money supply through the pyramiding of reserves. The pyramiding of reserves occurs when gold reserves are held by the central bank to back paper-money reserves at commercial banks in excess of the gold. The commercial banks then create checking deposits that exceed the paper-money reserves. Reserves of rural banks may also be held at city banks and used to back checking deposits at the rural banks that exceed the reserves at the city banks. Since they have checking deposits at banks, MMMFs are essentially in the same position as the rural banks.

Toward the end of his review, the fundamental philosophical disagreements between the Austrian school and my own epistemological views are made sharper. Leithner says I am an "anti-a priorist." He is right to say this. There is no knowledge independent of experience. Where does this knowledge come from? Leithner states that the fundamental knowledge is inscribed in our minds. He makes reference to the Bible and says it is like knowledge being written into our hearts by our Creator.

When one makes reference to the Bible and mystical beings in an attempt to prove his case in matters regarding the nature of the world, it's a sure sign of intellectual bankruptcy. The Bible *was* used at one time in such matters. It was the standard "scientific" reference manual—to be referred to as the ultimate arbiter in "scientific" disputes—during the medieval period. It's no accident that this period isn't known for the advancement of science and knowledge. Fortunately, Austrian economists don't generally make reference to mysticism when making their arguments. However, such references are consistent with "a priorism".

The mystical analogy used by Leithner is apropos because it highlights the essence of what an a priori belief in knowledge leads to: the arbitrary. If one believes "knowledge" is gained apart from observation, then anything goes. We can believe in mystical beings even though there is no evidence for such beliefs and despite the fact that such beliefs contradict the evidence.

In a positive sense, I'm an Objectivist. This means I recognize the validity of the philosophy of Ayn Rand. This philosophy demonstrates that all knowledge must be grounded in the facts of reality. That is, induction is the primary method to gain knowledge.

Nonetheless, induction is not the only method that can be used to gain knowledge. For example, economic analysis primarily involves the deductive application of fundamental principles, which I discuss briefly in the book as it pertains to business cycle theory (see volume 1, pages 4-5). But note that the fundamental principles are not known *a priori*. If they are not grounded in the facts, they are just mere arbitrary assertions: assertions without evidence. What makes them "indisputable first principles," to use Leithner's words, is that they are based in the facts of reality, not merely asserted arbitrarily.

Even the axiom of human action is grounded in the facts of reality. For example, valid concepts (which include the concept "human action") are formed through integrations of perceptual data and thus are grounded in the facts. Also, we understand human nature (a part of the facts of reality) through observation, both through introspection and observations of others. Human nature, of course, includes the need to act to further our lives and well-being. In addition, we refer to the facts to determine the effects our actions have on the world. While axioms are self-evident, and thus require no proof to validate them, this doesn't mean they aren't grounded in the facts of reality.

One major error that contributes to Leithner's acceptance of invalid views about how knowledge is acquired is his belief that the senses are fallible. This isn't true. The senses give us the raw data about existence. They are the base of all knowledge and the precondition of all proofs. It's our conceptual interpretation of sensory data that can be in error. One of the classic examples of the alleged fallibility of the senses is that of the stick that appears to be bent when placed partially in water. The senses merely respond to stimuli; they don't interpret their own reactions. It's up to the perceiver to determine at the conceptual level that the stick is not, in fact, bent but only looks so because of the different speeds at which light travels in different mediums.

Even sensory data from the eyes of a color-blind man are valid. There is no contradiction between the observation by a color-blind man that something is gray and a man who perceives the same object as red. They are both observing an aspect of reality. The type of sensory mechanism one possesses (or the capabilities of a given sensory mechanism) changes the form of the data one obtains, but it's still data about reality. Again, it's up to the perceiver to determine what the data mean.

That the senses are necessarily valid is an inescapable truth. One has to accept their validity in any attempt to deny it. If one is going to show that they are not valid, how else will one do it except by reference to evidence provided by the senses? On these and the other fundamental issues I have discussed, see Leonard Peikoff, *Objectivism: The Philosophy of Ayn Rand*, chapters 1-5 and his essay “The Analytic-Synthetic Dichotomy” in the second edition of Ayn Rand’s *Introduction to Objectivist Epistemology*.

Lastly, Leithner asks whether Austrian business cycle theory (ABCT) can exist without Austrian methodology. This is the wrong question to ask. It implies that the validity of ABCT hinges on the method that is used to validate it, regardless of whether ABCT agrees with the facts of reality and can explain some aspect of the world. The proper question to ask is: Is ABCT valid? That is, does it make sense logically and explain and thus help us understand the world? The answer is: yes. It is a theory that is proved through deduction *and* is grounded in the facts of reality, as I state in the book (volume 1, pages 4-5). All valid Austrian economic ideas—and valid ideas in any other field—must be grounded in the facts.

The Journal of Peace, Prosperity and Freedom

CHRIS LEITHNER

Rejoinder to Brian Simpson's comment on Money, Banking and the Business Cycle

AUTHOR: Chris (PhD, University of Strathclyde) is director of an investment company.

The Austrian School's methodology underpins the Austrian Business Cycle Theory (ABCT). In his book and his reply to my review, Brian Simpson upholds the ABCT but rejects its methodology. That's nonsensical: non-Austrians have no counterpart to the ABCT precisely because their empirical approach and Austrians' praxeological methodology are chalk and cheese. In order to deduce the *Austrian* (as opposed to the Objectivist or other) business cycle theory, one *must* reason aprioristically. Simpson doesn't; hence I criticise him primarily because he draws his conclusions (which Austrians have deduced correctly) invalidly. In this rebuttal,¹⁷⁸ I do two things:

1. refute Simpson's criticism of the apriorism of the Austrian School. I show that the crux of his criticism - namely the assertion that "there is no knowledge independent of experience" - is false. Yet his criticism is an example of the human action he criticises; as such, it affirms Austrian methodology. Simpson, in short, scores an own-goal.

¹⁷⁸ I thank the editor for the opportunity to provide this response to Brian Simpson's article which appears as 'Response to Chris Leithner's review of *Money, Banking and the Business Cycle*' (2014) 3 *Journal of Peace, Prosperity and Freedom*. My original review is in the same volume.

2. demonstrate that if Objectivists (Simpson identifies himself as one) took Ayn Rand at her word, then they too would be apriorists (albeit of a Rothbardian rather than a Misesian or Hoppean hue).

EVER HEARD OF EFTPOS?

In my review, following the Austrian (particularly Hoppean and Rothbardian) approach in an encapsulated form, I show why money market deposit funds and travelers' cheques are not, as Simpson asserts, components of the money supply. Considered in isolation, this mistake (from a praxeological point of view) is hardly a major matter. What's cumulatively significant, however, is that a multitude of other errors mar Simpson's book. Given that I find the Austrian position compelling, and that his reply largely restates points or inferences in the book, it's hardly surprising that I found his reply unpersuasive. Rather than repeat what I've already said or respond point-for-point to Simpson's reply on this matter, I invite you to decide for yourself.¹⁷⁹ One point, however, I will make (and another I'll foreshadow).

Simpson challenges me to pay for groceries with funds from a cheque account without writing a cheque. He seems unaware that, through the use of Electronic Funds Transfer at Point of Sale (EFTPOS) technology, approximately 2-3 million Australians do precisely this every day. If you use EFTPOS at (say) a Coles supermarket, you instruct your financial institution to transfer the amount of your purchase from your cheque account directly to Coles's nominated account. According to the Australian Payments Clearing Association, in 2013 780,000 EFTPOS terminals across Australia, distributed among 325,000 individual businesses, processed more than 2.4 billion transactions whose combined value was approximately \$A135 billion.¹⁸⁰

¹⁷⁹ For generalists, the most readable elaboration of the Austrian conception of money and its components – which my review followed and which, it seems to me, refutes Simpson's assertions comprehensively – is Michael Pollaro, 'Money-Supply Metrics, the Austrian Take' *Mises Daily*, 3 May 2010. More detailed and scholarly but still very readable treatments (which draw the same conclusion) include Murray Rothbard, 'Austrian Definitions of the Supply of Money' in Louis M. Spadaro (ed), *New Directions in Austrian Economics* (Sheed Andrews and McMeel, 1978) 143-156; Joseph Salerno, 'The True Money Supply: A Measure of the Supply of the Medium of Exchange in the US Economy' (Spring 1987) *Austrian Economics Newsletter*; Joseph Salerno, 'Ludwig von Mises' Monetary Theory in Light of Modern Monetary Thought' (March 1994) 8 *The Review of Austrian Economics* 71-115 and Frank Shostak, 'The Mystery of the Money Supply Definition' (Winter 2000) 3 *Quarterly Journal of Austrian Economics* 69-76.

¹⁸⁰ Lest Simpson retort that debit cards and EFTPOS are identical to cheques, notice that the writer of a cheque figuratively pushes on a rope: he cannot force money out of his account and into the recipient's account. Instead, the cheque-writer is effectively handing the far end of the rope

It's churlish of me to assume that Simpson possesses any knowledge of the electronic clearance system in Australia; charitably, one should assume that he's never set foot in Oz. On the other hand, in his reply he emphatically denied what in my review I mentioned as an aside: namely that the senses are fallible. My dictionary (an old *Canadian Oxford*) defines the word "fallible" as "(of persons) liable to err, especially in being deceived or mistaken." Everybody's senses are fallible in the sense that nobody can see (or smell, taste, know, etc.) everything. Yes, instruments ranging from the most primitive telescope to the most advanced electron microscope have improved (subject, it's important to add, to various assumptions which are themselves fallible) our senses. But nobody, it seems to me, can plausibly maintain that we can today or will someday be able to detect everything. Having accepted (and, I think, won) his challenge, could it possibly be that Simpson's – like everybody else's including mine – senses are fallible?

THERE IS CERTAIN KNOWLEDGE INDEPENDENT OF EXPERIENCE

In what I take as the crux of his reply to my review, Simpson asserts: "There is no knowledge independent of experience". If he had limited the scope of this assertion to an empirical science such as psychology, he'd be correct; but he applies it to an a priori science, namely praxeology (economics), and it's not difficult to demonstrate that he's mistaken. In short, economics is a body of knowledge; this knowledge (and knowledge of other important things too, such as causality) is independent of experience; hence knowledge independent of experience does exist.

What is the subject matter of economics, and what kind of propositions are statements about economic phenomena? Ludwig von Mises's (and Murray Rothbard's and Hans-Hermann Hoppe's) answer is that economics is a branch of praxeology – that is, the science of human action. What is human action? Mises couldn't be clearer:

Its statements and propositions are not derived from experience. They are, like those of logic and mathematics, a priori. They are not subject to verification and falsification on the ground of experience and facts. They are both logically and temporally antecedent to any comprehension of historical facts [or other "data"].¹⁸¹

to the payee, who'll pull in his own good time. In this sense, EFTPOS is a contemporary version not of a cheque (which is a negotiable instrument) but of a wire transfer (which isn't): the payer pushes his money from his account into the recipient's – who cannot, unlike the endorsee of a cheque, repush it to a third party before it reaches his account.

181 Mises, *Human Action* (Regnery, 1966) 32.

This conception distinguishes the Austrian School – and specifically Misesians – from everybody else (including Simpson). Today, all non-Austrians regard economics not as a kind of applied logic but rather as an empirical science – that is, as a body of knowledge whose essence is the development of hypotheses whose verification requires extensive empirical testing (see, for example, page 4 of volume 1 of Simpson’s book). It’s vital to appreciate that this is a relatively recent development: until the Second World War, Mises’s apriorism was unremarkable. Quite the contrary – although others didn’t use the phrase “a priori,” Mises’s position was thoroughly orthodox. Leading mainstream economists such as Jean-Baptiste Say, Nassau Senior, John Cairnes, Frank Knight and Lionel Robbins, for example, conceived economics much as Mises did.¹⁸²

How to substantiate the claim that praxeology – and thus economics – is a non-empirical science? As a preliminary example, consider this proposition: “Two people, A and B, undertake voluntary exchange only when both expect to benefit thereby. They expect to profit when A values what he receives from B more highly than what he trades to him, and B values what he receives from A more highly than what he trades to him.” How does one establish whether this proposition is true? Is the process of validation the same as that which occurs in empirical sciences? Does it require extensive trial and error, perhaps in order to find the range of circumstances in which it applies?

It’s quite obvious – except to virtually all of today’s academic economists, including Simpson – that the answer to these questions is clearly “no.” That A and B must expect to benefit, and that each possesses the reverse preference ordering vis-à-vis the other, follows logically from an everyday and common-sense understanding of exchange. Whatever the time, place, circumstances and parties to the exchange, it’s simply inconceivable that it has ever been, is now, or could ever be different. It is, in other words, incontestable that every purposeful, acting person always prefers what satisfies him more over what satisfies him less. It’s absurd to think that continuous empirical testing could somehow “establish” such a proposition. It’s equally silly to “establish” the theorem of Pythagoras by actually measuring the sides and lengths of triangles in Australia, Europe, in jungles and deserts, at the bottom of the ocean in a submarine, atop Mount Everest, etc. In Hoppe’s words, “[t]o think that either mathematical or praxeological propositions must be empirically tested is a sign of outright intellectual confusion.”¹⁸³

¹⁸² For a full corroboration see Hoppe, *Economic Science and the Austrian Method* (Ludwig von Mises Institute, 2007) 10-14, from which this section draws heavily.

¹⁸³ Ibid 16.

But Mises doesn't merely notice this rather obvious and fundamental difference between economics and empirical sciences, he also clearly shows how and why a unique discipline like economics – which tells us about reality without requiring observations from reality – can possibly exist. Indeed, according to Hoppe this demonstration is perhaps Mises' supreme achievement. Following the Prussian philosopher Immanuel Kant (1724-1804), and particularly his major work, *Critique of Pure Reason* (1781), Mises classifies all propositions in a two-fold way: on the one hand they're either analytic or synthetic; and on the other they're either a priori or a posteriori. A proposition is analytic if formal logic is sufficient to ascertain whether it's true or false; otherwise, it's synthetic. A proposition is a posteriori whenever observations are necessary in order to corroborate it. If observations are not necessary in order to demonstrate its truth, then the proposition is a priori.

Kant upholds (and, as a Kantian, so does Mises) the existence of propositions that are simultaneously (1) a priori, (2) synthetic and (3) true. Unlike the truth of synthetic a posteriori propositions, the truth of synthetic a priori propositions can be established with certainty. In order to do so, the means of formal logic are necessary but not sufficient and observation is unnecessary. How does one establish the truth of such a proposition? The gist of Kant's answer is that it follows from self-evident axioms. What makes such axioms self-evident? One cannot deny their truth without self-contradiction; that is, any attempt to deny them necessarily concedes that they're true.

How do we find such axioms? By introspection, Kant says, and in particular by acknowledging the undeniable fact (Simpson, in his reply, rightfully demands that analysis be grounded in "the facts") that we are conscious and purposeful, i.e., acting beings. This fact – as well as the fact that the truth of a priori synthetic propositions derives from introspection – also explains why such propositions can possibly possess the status of necessary truths. But Mises goes one step further: these truths are not simply categories of an individual's mind – but of his mind as an acting agent in the real world. Mises's conception of action bridges the gulf between the inner (mental) and exterior (physical) worlds. Misesian action, in other words, is simultaneously abstract thought and concrete reality.

Mises, then, solves Kant's problem – namely, how is it that true synthetic a priori propositions can exist? The axiom "humans act" (the verbose version is "humans act purposefully") fulfils the two requirements for such a proposition. First, since the denial is itself an action, nobody – including Simpson – can possibly deny the existence of human action; hence the proposition is self-evidently true and cannot be challenged. Secondly, the axiom hasn't been derived from observation:

try as they might, neither Simpson nor anybody else can observe anything except bodily movements and sounds. Just as nobody can observe causality, they cannot observe purpose. Only by introspection can anybody recognise that certain movements, sounds, etc., are purposeful.

Clearly, then, human action is a category of knowledge that must be understood rather than observed; equally clearly, however, it's still knowledge about reality. It's not experiential, yet it's undeniable: through every action the actor pursues a goal; and whatever the goal may be, the fact (Simpson, remember, insists that we stick to the facts) that it's pursued by an actor reveals that the actor places a higher value upon it than any other goal that he could have conceived when he commenced the action. It's not empirical, yet it's real: in order to achieve his most highly valued goal, an actor must choose among competing and scarce means. It's not visible, but it's obvious: as a consequence of choosing means and preferring one goal rather than another – and of not being to realise all of his goals, at least not simultaneously – each and every action implies that the actor incurs costs. And lastly, it's not observable, but it's as plain as day: at the starting point of every action, the goal must be worth more to the actor than its cost, i.e., it must be capable of yielding a benefit whose value the actor ranks higher than those of the foregone opportunities (“opportunity costs”). Yet every action invariably faces the possibility that the actor finds, retrospectively, that the result actually achieved has – contrary to previous expectations – a lower value than the relinquished alternative might have had. Every action, in short, necessarily entails the possibility of profit and success – but also of failure and loss. As Hoppe (p. 24) puts it:

all of these categories – values, ends, means, choice, preference, cost, profit and loss and time and causality – are implied in the axiom of action. Yet, that one is able to interpret observations in such categories requires that one already know what it means to act. No one who is not an actor could ever understand them. They are not “given,” ready to be observed.

Mises's great insight – and the Austrian School's methodological basis – is that the foundation of true reasoning about economics lies in this conception of action; and the status of economics as a sort of applied logic, in turn, derives from the status of the axiom of human action as an a priori-true synthetic proposition. In *Human Action*, Mises derives the laws of exchange, the law of diminishing marginal utility, the Ricardian law of association and gains from trade, the law of price controls and the quantity theory of money – indeed, the entire corpus of Austrian School

economics including the ABCT – from this axiom. Rothbard does the same and ploughs new paddocks in *Man, Economy and State* and *Power and Market*.

WHY AREN'T RANDIANS APRIORISTS?

It's easy to anticipate Simpson's reply: "as an Objectivist, I'm an Aristotelian and not a Kantian; hence I (and other Objectivists) reject apriorism." Yet it's easy to show that if Objectivists took Ayn Rand at her word then they, too, would be apriorists! To understand why, let's establish some context. The twentieth century's most prominent Austrians – namely Mises, Friedrich Hayek and Rothbard – spoke sympathetically about Rand's free-market posture.¹⁸⁴ Rand didn't, by and large, return the favour. Quite the contrary: she denounced Hayek and Rothbard as "enemies" – Hayek because he compromised with statism and Rothbard because he greatly extended and elaborated anarcho-capitalism.¹⁸⁵ But Rand was much more positive – indeed, enthusiastic – about Mises: she vigorously promoted him and published enthusiastic reviews of several of his books including *Human Action*, *Omnipotent Government* and *The Anti-Capitalist Mentality*. She also applauded many of Mises' most distinctive ideas, such as the impossibility of economic calculation under socialism.¹⁸⁶ Indeed, Rand described her ideal curriculum as "Aristotle in philosophy [and] von Mises in economics ..."¹⁸⁷

184 According to Alan Ebenstein, *Friedrich Hayek: A Biography* (Palgrave, 2001) 275, although she didn't regard herself as an economist Hayek praised Rand as "one of three outstanding woman economists" (he didn't say who the other two were). According to Barbara Branden, Mises hailed Rand as "the most courageous woman in America" (*The Passion of Ayn Rand*, Doubleday, 1986, p. 189). Rothbard called *Atlas Shrugged* "the greatest novel ever written" (quoted in Justin Raimondo, *An Enemy of the State: The Life of Murray N. Rothbard*, Prometheus, 2000, p. 118). Later Rothbard became sharply critical of Rand, but more for her dictatorial manner, tyrannical ways and cult-like following – which included her demand that Rothbard abandon his beloved wife – than for her private-property, free-market and pro-capitalist stance, which he applauded (see in particular his "The Sociology of the Ayn Rand Cult," originally published in 1972 and republished in 2008 by LewRockwell.com).

185 "As an example of our most pernicious enemy," Rand wrote in 1946, "I would name Hayek. That one is real poison" (see *The Letters of Ayn Rand*, ed., Michael S. Berliner, Plume, 1995, p. 308). And "I am profoundly opposed to today's so-called libertarian movement and to the theories of Dr Murray Rothbard," she hissed in 1974. "So-called libertarians," she rightly concluded – and I wholeheartedly agree! – "are my avowed enemies" (p. 664).

186 See Michael S. Berliner (ed), *The Letters of Ayn Rand* (Plume, 1995) 515.

187 Rand, *Philosophy: Who Needs It* (New American Library, 1985) 81. "Beginning in the late fifties and continuing for more than ten years," wrote Barbara Branden, *The Passion of Ayn Rand* (Doubleday, 1986) 188, "Ayn began a concerted campaign to have [Mises's] work read and appreciated: she published reviews, she cited him in articles and in public speeches [and] recommended him to admirers of her philosophy. A number of economists have said that it

Yet Rand's endorsement of *Human Action* was hardly unequivocal. Most notably, in the comments she scribbled in its margins¹⁸⁸ she condemned, among other things, Mises's aprioristic epistemology.¹⁸⁹ More generally, she averred that although "I do agree with many of its purely economic ideas," the Austrian School is "one of the many approaches to capitalism which I oppose".¹⁹⁰

Roderick T. Long shows that Rand's disagreements with Mises were – like my disagreement with Simpson – mainly about broader philosophy and epistemology rather than the details of economics *per se*.¹⁹¹ Why did Rand take the "gravest exception" to Mises's "general doctrine of praxeology"? "There is no 'a priori' knowledge," she insisted; "[t]here is no knowledge not derived from experience".¹⁹²

Simpson's criticism of the Austrian School reflects Rand's. But if Rand and Simpson are correct, then how does a mathematician prove that $1+1=2$? "By looking at two apples!" an Objectivist might reply. But a dog (much of whose sensory apparatus is superior to a human's which Simpson doesn't accept is fallible)¹⁹³ can also see the apples – and yet doesn't know arithmetic. How on earth can anybody possibly "experience" the fact that the sum of the lengths of any two sides of a triangle must be greater than or equal to the length of the remaining side? Or are Rand and Simpson seriously asserting that mathematics doesn't qualify as knowledge? In his reply to my review, Simpson states "an a priori belief in knowledge leads to ... the arbitrary. If one believes 'knowledge' is gained apart from observa-

was largely as a result of Ayn's efforts that the work of Von Mises began to reach its potential audience."

188 See *The Letters of Ayn Rand*, 105; 141.

189 Nathaniel Branden recalls how, since Rand always seemed "friendly, respectful, and admiring" toward Mises, and indeed "almost girlish in the way she complimented him on his momentous achievements," he was surprised to discover, when perusing her copy of *Human Action*, that the margins were "filled with abusive comments." When Branden asked Rand if she really thought that Mises was a "bastard," she replied: "As a total person, no. ... But if I focus on that aspect of him where he goes irrational, yes ..." (*My Years with Ayn Rand*, Jossey-Bass, 1999, p. 116).

190 *The Letters of Ayn Rand*, 642.

191 Roderick Long, 'Praxeology: Who Needs It' (2006) 6 *The Journal of Ayn Rand Studies* 299-316.

192 See Robert Mayhew (ed), *Ayn Rand's Marginalia: Her Critical Comments on the Writings of Over 20 Authors* (Second Renaissance, 1995) 113–14.

193 Simpson makes this claim amidst an amusing – because it's so laughably inept – tirade against Holy Scripture. Simpson takes it as given that sense experience occurs in the eye (or nose or fingertips, etc.) But surely eyes and brain are each individually necessary and jointly sufficient conditions of sight? Without a brain to process the signals from the eyes, in other words, can anybody see? Second, for the sake of argument let's assume as Simpson insists, namely, that the senses are infallible. But if so, why isn't the brain? And if the brain, too, is infallible, aren't we all gods? But as an Objectivist Simpson stridently rejects the very possibility that there's a god – unless, of course, it's Ayn Rand!

tion, then anything goes". That's plainly silly: nobody who knows anything about mathematics could possibly assert that it's arbitrary. Similarly, nobody who's read Hoppe, Mises or Rothbard dispassionately can credibly allege that their premises, reasoning and conclusions are ad hoc.

Consider now Rand's proposition that capitalism is "a social system based on the recognition of individual rights, including property rights, in which all property is privately owned".¹⁹⁴ How did she justify it? Clearly, she couldn't possibly do so via any appeal to "the facts": for the undeniable fact – which Rand herself acknowledged – is that capitalism as Rand conceives it has never existed, that it's an unknown ideal, and what doesn't exist one simply cannot observe. If "there is no knowledge independent of experience" then on what basis can Rand, Simpson or anybody else conceive something that neither she nor he or anybody else has ever experienced? Long answers this question: "everything Rand says about 'capitalism' is thus an exercise in innocently a priori reasoning".¹⁹⁵

To understand how Long reaches this conclusion, consider as well a form of reasoning that most philosophers would accept as a priori, which I utilised in my review, the previous section of this article and which Rand herself accepts – namely, the validation of axioms by demonstrating that the very attempt to deny them necessarily presupposes their truth. As Rand decreed,

there is a way to ascertain whether a given concept is axiomatic or not: one ascertains it by observing the fact that an axiomatic concept cannot be escaped, that it is implicit in all knowledge, that it has to be accepted and used even in the process of any attempt to deny it.¹⁹⁶

As Long showed, Rand seemed – and, in his reply, Simpson seems – to be unaware that in this respect Rand conforms precisely to Mises. Rothbard restates Mises in a way that Objectivists cannot (unless they contradict Rand's quote above) reject:

The action axiom, in particular, should be, according to Aristotelian philosophy, unchallengeable and self-evident since the critic who attempts to refute it finds that he must use it in the process of alleged refutation. Thus, the axiom of the existence of human consciousness is demonstrated as

¹⁹⁴ *Capitalism: The Unknown Ideal* (New American Library, 1986) 19.

¹⁹⁵ Long, 'Praxeology: Who Needs It' (2006) 6 *The Journal of Ayn Rand Studies* 308-309.

¹⁹⁶ Harry Binswanger and Leonard Peikoff (eds), *Introduction to Objectivist Epistemology* (Meridian, 1990) 59.

being self-evident by the fact that the very act of denying the existence of consciousness must itself be performed by a conscious being. ... A similar self-contradiction faces the man who attempts to refute the axiom of human action. For in doing so, he is ipso facto a person making a conscious choice of means in attempting to arrive at an adopted end: in this case the goal, or end, of trying to refute the axiom of action. He employs action in trying to refute the notion of action.¹⁹⁷

Thus, given what Mises and Rothbard mean by “a priori,” Rand – and her acolytes like Simpson – should therefore be every bit as apriorist as Austrians!

Although they differ regarding the *precise epistemic status* of axioms, both Mises and Rand affirm their *general existence*. In principle, then, nothing prevents Rand and her followers from embracing the notion of human action and deducing therefrom – that is, from utilising the methodology of the Austrian School. Rothbard shows them how to embrace praxeology on exactly these grounds:

Ludwig von Mises, as an adherent of Kantian epistemology, asserted that the concept of action is a priori to all experience, because it is, like the law of cause and effect, part of “the essential and necessary character of the logical structure of the human mind”. Without delving too deeply into the murky waters of epistemology, I would deny, as an Aristotelian and neo-Thomist, any such alleged “laws of logical structure” that the human mind necessarily imposes on the chaotic structure of reality. Instead, I would call all such laws “laws of reality,” which the mind apprehends from investigating and collating the facts of the real world. My view is that the fundamental axiom and subsidiary axioms are derived from the experience of reality and are therefore in the broadest sense empirical.¹⁹⁸

Rothbard calls such axioms a priori because, although they’re grounded in reality, they’re prior to “the complex historical events to which modern empiricism confines the concept of ‘experience’”.¹⁹⁹ This, given Rand’s pronouncement, is the sort of apriorism to which Simpson cannot reasonably object. Hence his – and Rand’s – objection to the apriorism of the Austrian School collapses.

¹⁹⁷ Rothbard, ‘Praxeology: The Method of Austrian Economics’, *The Logic of Action I: Method, Money and the Austrian School* (Edward Elgar, 1997) 68.

¹⁹⁸ Ibid 63-64.

¹⁹⁹ Ibid 65; see also Rothbard, “In Defense of ‘Extreme Apriorism’”, *The Logic of Action*, 100-108.

The Journal of Peace, Prosperity and Freedom

REVIEWED BY CHRIS LEITHNER

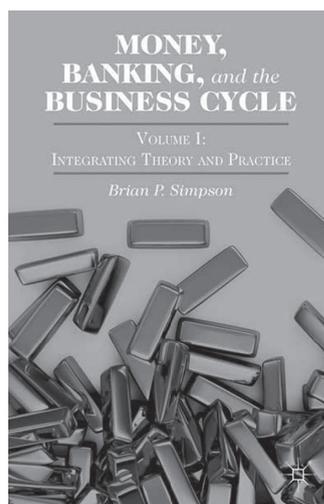
Money, Banking and the Business Cycle (Vol. 1: Integrating Theory and Practice; Vol. 2: Remedies and Alternate Theories)

Author: Brian P. Simpson

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What causes recessions, depressions and financial crises? Most people (especially, it seems, influential mainstream economists and powerful central bankers) believe that the business cycle is an endemic feature and innate characteristic of today's allegedly "free-market" economy. Unrestrained capitalism, they insist, is inherently unstable. Accordingly, if not chaperoned by responsible adults – namely conventional economists and incumbent central bankers – it'll eventually run off the rails and perhaps crash. Our rulers diagnose slumps and crises as inevitable consequences of the failure of markets; hence as "cures" they prescribe constant and ever more pervasive intervention in the market – i.e., increasing doses of the state's fiscal and monetary policies, legislation and regulations.



Simpson's two volumes add to a large and growing literature that demonstrates that our anointed rulers are diametrically wrong, and that their misguided ideas and actions greatly harm their benighted subjects. Recessions, depressions and financial crises are not consequences of the market's failure, but of the government's failure. Specifically, the business cycle results from the state's debasement of money and bastardisation of banking. More specifically, and in Simpson's words, "it is the government's manipulation of the supply of money and credit through the fiat-money system and fractional reserve [banking] system that is responsible for the cycle today."

Simpson's major conclusion is correct: the Austrian business cycle theory (ABCT) explains the causes of the business cycle. Indeed, and as Simpson also rightly concludes, "the ABCT is the only theory that provides a comprehensive and logically consistent explanation of the cycle". The crux of Simpson's solution, too, is correct: the mitigation of the business cycle and the elimination of financial crises entail the abolition of the government's interference – particularly the legislation that entrenches fiat money and fractional-reserve banking. Part I of volume 1 comprises theory (the basics of money, banking and inflation; how the government causes inflation; the causes of the business cycle and an outline and defence of ABCT). Part II applies the theory to the 18th century, the business cycle in the U.S. from 1900 to 1965, the Great Depression, the recession of the early 1980s and the ups and downs since the 1990s. Part I of volume 2 refutes alternate theories of the business cycle and criticism of the ABCT, and Part II outlines Simpson's cure (namely the removal of fiat money and fractional reserve banking, of a gold standard and 100%-reserves, and the transition to a free market in money and banking).

These two volumes contain considerable strengths. Simpson's diagnosis gets most of the big things right. His prescription, like those of other studies which draw similar conclusions, would, if pursued, make the world better place. Not only would economies be more stable and generate sound growth: governments would be much smaller and weaker, and hence people would be much richer and freer. Yet Simpson's two volumes also contain significant weaknesses. He muddles several important things (like fractional reserve banking) and gets a significant number of subsidiary things wrong. Ironically, the cause of these weaknesses is his rejection of *a priori* – that is, characteristically Austrian School – reasoning. Can there be such a thing as Austrian economics and the ABCT without Austrian methods? Before I read Simpson's two volumes I doubted it; after I read them my misgivings deepened.

Simpson's definition and analysis of money exemplifies these weaknesses. Chapter 1 of volume 1 ("Money, Banking and Inflation") begins with a definition. "Money," he says (p. 9), "is an asset readily acceptable in exchange in a given geographic area and is sought for the purpose of being re-exchanged". That's a good start. "It is changes in the money supply that drive the business cycle," he continues, "so one needs to know what the money supply is composed of to understand how it changes and how it causes the business cycle". Not so fast: in order to describe clearly the composition of the supply of money, one must first reason validly from the definition of money. Although he doesn't cite him, Simpson's definition echoes the crux of Ludwig von Mises's. In *Human Action* (1949, Chapter 17, Section 1), Mises, who in the first (German-language) edition of *The Theory of Money and Credit* (1912) originated the ABCT, defined money as a "commonly used" medium of exchange. Murray Rothbard, in his 1978 essay "Austrian Definitions of the Money Supply," notably added that "money is the general medium of exchange, the thing that all other goods and services are traded for, *the final payment for such goods and services on the market* (italics added)".

"The first purpose of scientific terminology," said Mises in *Human Action*, "is to facilitate ... analysis ..." In this respect Simpson stumbles badly. The problem is that he (unlike strict *a priorists* such as Mises, Rothbard and Hans-Hermann Hoppe) doesn't deduce from this and other key definitions. As a result, he wanders repeatedly into needless complexity and outright error. In the first paragraph of page 11 (vol. 1), for example, he states that money market deposit accounts (MMDAs) and money market mutual funds (MMMFs) – neither of which he defines – "are a part of the money supply". And on page 17 he adds: "Also, it should be clear that traveler's cheques are a part of the money supply since they are used as a medium of exchange. One does not need to first convert them into anything before they can be used to purchase goods and services". In the second paragraph of page 11, however, he retreats:

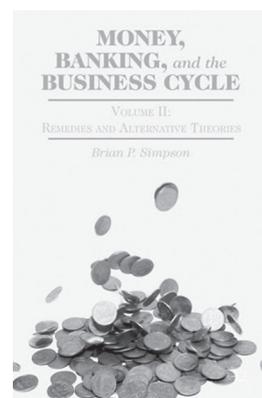
[MMDAs] are part of the money supply, with some qualifications. They are a part of the money supply to the extent that depositors use them as a medium of exchange. It is generally believed that MMMFs are used more often as a medium of exchange than MMDAs ... Estimates [which Simpson neither provides nor cites] have been made for the portion of MMMFs that have cheque-writing capabilities on them. I use this to estimate the portion of MMMFs that should be included in the money supply ... What portion of MMDAs to include in a measure of the money supply remains open to debate...

Got that? Alas, on page 14 things become even more opaque:

It is difficult to say exactly what portion of MMDAs and MMMFs are used as a medium of exchange. ... Perhaps the best estimate of what portion of MMDAs are held as savings deposits are those MMDAs for which cheques (or debit cards) are never ordered. One could say the same for MMMFs. However, such data cannot be obtained. Given the data that exist, the most accurate statement I can make is that the money supply is closest to M1 plus MMMFs on which cheques can be written, the portion of “commercial” sweep accounts not swept into MMMFs, and “retail” sweep accounts.

Having likely bewildered the general reader, Simpson then capitulates: “As one can see, establishing a measure of the supply of money is not easy”. It’s difficult for Simpson because he doesn’t reason from his definitions. If he did, he’d realise that units of MMMFs are securities, securities are not money and therefore that units of MMMFs are not part of the money supply. An MMMF is a managed investment vehicle that issues units of ownership in exchange for money. It then invests this money in (that is, exchanges it for) short-term credit instruments such as bank bills. An increased quantity of units doesn’t – because it can’t – increase the supply of money: the investor in an MMMF purchases units with money and redeems them for money; as a result of both transactions, the supply of money remains unchanged.

Some MMMFs allow their investors to write cheques. Yet there’s a key difference – which escapes Simpson – between a cheque drawn on a bank and a cheque drawn on an MMMF: the former instructs a bank to transfer money from the cheque-writer’s demand deposit account to the recipient’s demand deposit account; the latter instructs an MMMF to reduce the cheque-writer’s quantity of units and to increase by a corresponding amount the balance in the MMMF’s demand deposit account. Unless the MMMF’s portfolio contains sufficient money for this purpose, it must sell (say) bank bills for money. This money – the medium of exchange – then makes the payment that the cheque-writer has requested. The cheque drawn on an MMMF account obscures the fact that its



units are not means of final exchange; but this subtlety doesn't alter the reality that securities such as an MMMF's units are not money.²⁰⁰

Why are securities not money? Bearing Mises and Rothbard in mind, they're not a generally-accepted means of final exchange. Convince yourself by going to your local Coles supermarket, place (say) \$288 worth of groceries into your trolley and proceed to the checkout. Then say to the checkout chick: "as payment, I propose to transfer to Coles the ownership of 288 units of an MMMF, each of whose units has a market value of \$1". The probability is 0.99999 that the chick won't have the slightest idea what you're saying. She'll likely summon her supervisor – who also won't have the slightest idea what you're saying. One thing, however, will be perfectly clear: Coles won't accept your units as payment for the groceries. It's true that they'll take your cheque drawn on an MMMF – not because the units constitute money, but because the aforementioned indirect process of payment will ensue.

Neither units of MMMFs nor travelers' cheques are money; accordingly, neither can be components of the money supply. One such mistake should be forgiven; a number of them strewn throughout both volumes, however, becomes irksome – and a symptom of a deeper shortcoming. Significant numbers of Simpson's assertions are demonstrably wrong; they're wrong because he doesn't establish them deductively (if he tried, he'd find, as our example shows, that they're false); and he doesn't try to do so because he isn't an "a priorist" like Hoppe, Mises and Rothbard. Simpson's subject matter is characteristically Austrian, but his methods certainly aren't. Quite the contrary: he's an "anti-a priorist." On page 4 of volume 1 he tells us so:

It is important to understand that what I describe ... as necessary to develop business cycle theory is not rationalism [by which Simpson seems to mean *a priorism*]. Some people have a tendency to confuse deduction with rationalism. Deduction is the process of applying validated generalisations to make conclusions about other concrete phenomena and is an appropriate method of logic. The generalisations used in deductive reasoning are based on the

200 For similar reasons, Simpson is wrong about traveler's cheques. It's true, as he states, that they're commonly regarded (albeit by few Austrians) as an integral part of narrowly-defined money (M1). And (depending upon the country) some banks, hotels, etc., but certainly not all, will accept them; hence they're hardly a universal means of exchange. Further, as with units of an MMMF, so too with travelers' cheques: they're a claim upon the issuer's investment portfolio; hence they're not a final means of payment. The means of final payment – and hence the actual underlying money – is the demand deposit account of the traveler's cheque's issuer.

facts, either directly or indirectly through inductive reasoning. Rationalism is an invalid form of deductive reasoning. It involves the attempt to explain phenomena using ideas not grounded in the facts of reality. ... While induction is not the primary method used in developing business cycle theory, it is still used in understanding the nature of the business cycle and validating business cycle theory. ... In the end, induction cannot be escaped since any valid conclusions must ultimately be based on observations.

According to Simpson, economic science is a collection of inductively-derived “facts”; according to Austrians, it’s a set of principles deduced from indisputable first principles. As Mises devised it and Rothbard and others have extended and elaborated it, the ABCT follows *a priori* from the axiom of human action (plus a few corollaries). “A priori” means knowledge that comes before, and is true irrespective of, fallible sensory experience. Like the laws in Deuteronomy, which our Creator has written into our hearts, the axiom of human action has been inscribed into our minds. The study of human action (which Mises dubbed “praxeology”) is thus a matter of self-examination and deduction rather than external observation and induction.

The axiom of human action is obviously and self-evidently true for all people, everywhere and at all times, and cannot possibly be untrue. We cannot, in other words, conceive of a world where man exists but does not act. Human action is self-evident in the sense that nobody can deny the truth of the axiom of human action. Why not? Any “denial” is itself an example of human action – and thereby affirms rather than contradicts the axiom! The laws of economics (including derivations such as the ABCT) are thus as necessarily true as the laws of geometry. Just as it’s absurd to attempt to falsify the laws of geometry with data, and just as any attempt to do so belies a fundamental misconception of mathematics, it’s also ludicrous to “test” empirically the laws of economics. Historical and statistical analyses can, of course, help to illustrate these laws, and thereby help us to understand them better: but they can neither establish nor disprove them.

Money, Banking and the Business Cycle possesses significant strengths and notable weaknesses. Simpson’s application of the ABCT to decades since the 1980s is interesting, his refutation of its critics is very useful, and his proposals to cure the plague of boom and bust (to the extent, which is considerable, that they echo Hoppe’s, Mises’s and Rothbard’s) deserve support. Embrace his major conclusions, doubt significant numbers of his subsidiary assertions and reject his methods.

The Journal of Peace, Prosperity and Freedom

REVIEWED BY SUKRIT SABHLOK

To Make and Keep Peace: Among Ourselves and with All Nations

Author: Angelo M. Codevilla

Publisher: Hoover Institution Press

Year: 2014

[W]e need to make it as hard as possible for politicians to involve us in war. We must find a way to keep them away from loaded weapons forever. That's the one kind of gun control that really will save lives.

Harry Browne²⁰¹

I.

It is intriguing that after centuries of warfare human beings have not been able to absorb any lessons to avoid engaging in the economically destructive activity of militarism. It is even more intriguing that the United States – which spends about \$1 trillion on defence annually, has the biggest nuclear weapon stockpile and advanced capability to deliver warheads – has not been



201 Harry Browne, 'What is war?' <<http://www.antiwar.com/orig/browne1.html>>

able to forge any peace for its residents.²⁰² Why does America apparently need to wage conflicts in faraway lands in the Middle East just to secure itself despite its military might and strategically advantageous location?

In *To Make and Keep Peace* Angelo Codevilla, an emeritus professor at Boston University, asks how America might return to a state of peace after decades of permanent war. He criticises both utopian pacifism and idealistic internationalism, arguing that they provoke and prolong conflicts rather than ensure peace. A middle ground between the two that defeats the enemy, discredits its cause and removes the underlying political conditions that lead to aggression is more likely to forge lasting settlements.²⁰³ Codevilla wants the US to have a strong military but advises policymakers to be less bellicose – or as Theodore Roosevelt put it, ‘speak softly, and carry a big stick’. He suggests that diplomacy is effective when backed by sufficient military resources appropriate to the issues being discussed. A nation must not attempt to participate in wars that it does not have the tools to win (‘peace depends on the proper balance between commitments and the capacity to uphold them’²⁰⁴).

The book begins by offering insight into Christian theology and its link to national security matters. ‘Christians assert that since government exists to serve the people’s secular interest, the primordial of which is peace, war can only be a means to establish peace or an extraordinary counter to threats to peace.’²⁰⁵ The Christian faith ‘sees no ultimate value in any collective secular enterprise, much less in war’.²⁰⁶ Christianity therefore advises that rulers be judged by how well they contribute to peace and order.

Next readers are treated to the foreign policy views of America’s founding generation. It is here that Codevilla deduces that:

The distinction between ‘our business’ and ‘their business’ is the ultimate foundation of peace – the natural limiting principle of international affairs (as it is of interpersonal affairs). American foreign policy, as conceived by

202 Robert Higgs, ‘The trillion-dollar defense budget is already here’, 15 March 2007 <<http://www.independent.org/newsroom/article.asp?id=1941>>; Robert Higgs, ‘Defense spending is much greater than you think’, 17 April 2010 <<http://blog.independent.org/2010/04/17/defense-spending-is-much-greater-than-you-think/>>

203 Foreword, *To make and keep peace: among ourselves and with all nations* (Hoover Institution Press, 2014) iv.

204 Ibid 98.

205 Ibid 5.

206 Ibid 44.

[George] Washington and explained by [John Quincy] Adams, was based on this distinction, on this 'golden rule' of mutual forbearance. America would mind only its own business, fight only its own battles, not because it was weak, but because others' business is their own just as much as ours is our own, because no one has constituted Americans as judges of others' business, and because, while others may forbear much that we might do in our own interest, they will not stand for anything we might presume to do in theirs.²⁰⁷

Codevilla points to Washington's laser-like focus on peace, which can be contrasted to today's politicians who have no clear objectives or fight unwinnable wars without end. Codevilla cites Washington's approach to the Pennsylvania Whiskey Rebellion, during which he hanged nobody despite Alexander Hamilton urging him to teach the rebels a harsh lesson. Codevilla observes that '[t]he absolute priority of peace at home was the lesson he wanted to teach'.²⁰⁸ Overseas, Washington supported armed neutrality – America should be prepared to defend herself but Europe's various intrigues were no business of hers. In his farewell address, Washington proposed that America engage in trade and commerce with all nations but in extending commercial relations have as little political connection as possible; that is, treat everyone impartially. 'It is important to note that *Washington named no substantive objectives for American foreign relations - none*,' Codevilla writes, '*Only peace*'.²⁰⁹

Adams, sixth president and secretary of state under President Monroe, helped formulate the Monroe Doctrine which carved a sphere of influence that included Cuba, Mexico, Central America and South America in addition to North America. The doctrine warned Europe's colonial powers that America would treat as an act of aggression any attempt to interfere with nations in the aforementioned areas. Unlike today's American empire which spans the entire globe, Adams' concern was geographically limited and Codevilla sees this as a good thing: it established a boundary beyond which others must not tread lest America intervene to put a stop to their ambitions, while avoiding the perils of overreach by having a presence in 130 countries as America does now.

For Codevilla, a proper defensive posture would incorporate a policy of forward defence with bases in strategic locations to secure peace ('failure to secure

207 Ibid 191.

208 Ibid 62.

209 Ibid 64-65.

peace abroad [will] undermine peace at home²¹⁰). The US should become more realistic about nuclear weapons: the theory of ‘mutually assured destruction’ – which states that nations will be reluctant to nuke nuclear states for fear of being likewise annihilated in return - does not absolve policymakers of the responsibility to strategize ways to defend the homeland. Thus the US should plan for eventualities through measures like building missile defence systems.²¹¹

II.

Unlike neoconservatives, who are gung-ho about pretty much any intervention, Codevilla believes it would be better if the regime change option was never exercised given all the unintended consequences that could arise. Rather than invading countries and sifting through residents to find terrorists, which is inefficient and causes inhabitants to hate the US more, it is better to outsource the burden to foreign rulers through an ultimatum: either police their people on behalf of the United States or face death by drone.²¹² A credible threat of force through diplomatic channels may be sufficient and actual force may not be needed.

Even if targeted killing of foreign rulers was undertaken the US should not attempt a subsequent occupation of the foreign ruler’s country.²¹³ Illustrating his analysis, he opines that invading Afghanistan could have been a good idea if coupled with a warning to Middle Eastern governments that they can expect the same fate as the Taliban should they harbour anti-American radicals however he thinks policymakers got too involved in nation building.²¹⁴ Likewise the overthrow of Saddam Hussein in Iraq was a modest gain for American peace but the subsequent occupation was a disaster.²¹⁵ In the Syrian situation, he does not come to a conclusion but details how removing President Assad might be a good idea because Syrian agents have been directly responsible for the deaths of US citizens. He recognises however that it is problematic to support rebel opposition to Assad because those individuals might end up turning on America once they have removed Assad.²¹⁶

210 Ibid 68.

211 Ibid 131

212 Ibid 167

213 Ibid 163

214 Ibid 162, 165.

215 Ibid 163.

216 Ibid 193.

In Chapter 19, Codevilla confirms he understands the hypocrisy of America's imperial policies when he explains the US is effectively shooting itself in the foot by supporting – whether through money, arms, diplomacy or other aid – its enemies. Codevilla delivers a zinger on the Egypt situation when he explains that “US policy toward Egypt from 1956 to our time may be summed up as ‘futile attempts to purchase its rulers’ favor’”. The failed approach is evident because ‘Egypt became the main intellectual source of Sunni Islam’s terrorism against America’.²¹⁷ Plus, America helped Saddam Hussein rise to power.

He is able to drive home his points with excellent examples. In Chapter 20, he points out the US intelligence community’s failings with respect to the War on Terror. The CIA has for years relied on unreliable informants that are manipulating the US government into doing their dirty work for them. He gives the example of the death by suicide bombing of seven CIA officers in Afghanistan at the hands of an informant they had prized as a source on who to kill. ‘Because of US intelligences’ aversion to quality control, we can be fairly confident that those killed by counterterrorism operations are the informants’ enemies,’ he explains.²¹⁸

He correctly notes that ‘our ruling class’s construct of al Qaeda is emblematic of its lack of intellectual rigor in the service of escapism’.²¹⁹ By this he means to point out the abuses of the label ‘al Qaeda’ by the US government, which has used it to loosely refer to a wide spectrum of persons engaging in terrorism, even though many of these groups have different motivations and management. He calls for an investigation into the connections between the US government, Saudis and 9/11 due to the favouritism received by Saudi Arabia’s elite.²²⁰

For the most part, his arguments are sound, and anyone familiar with the work of Robert Pape or Michael Scheuer will not find much new in the sections on terrorism. However he makes contradictory statements that confuse the message of his book. Does he want the US to recognise the motives of the terrorists or does he not? Does he accept the idea of ‘blowback’ pointed out by Chalmers Johnson or does he not?²²¹ At one stage he says that the seizure of the American embassy by

²¹⁷ *To Make and Keep Peace*, 149.

²¹⁸ *Ibid* 166

²¹⁹ *Ibid* 160

²²⁰ *Ibid* 179

²²¹ For example, on page 143 he endorses the theory of blowback: ‘If you want to be left in peace, it really does help to leave others in peace, too’. But then on page 194 he recites a standard chicken-hawk line: ‘...Western elites – including our statesmen – seem eager to accept whatever blame for the Muslim world’s troubles Muslim politicians impute to Western civilization. That eagerness is the source of the Muslim world’s increasing disrespect for America and Americans. Hence we should not even try to imagine what Islamists might cite to excuse anti-American

Iranians in 1979 was a ‘textbook act of war’, but ignores CIA provocation in the form of a coup d’état that overthrew the Iranian Prime Minister in 1953.²²² The US started the war, not the Iranians, and had the CIA not meddled so much in others’ affairs many problems could have been avoided.

Codevilla has an impressive mastery of the issues and it shows in the detailed narrative he constructs in going through every major war in American history and elucidating each. Take, for instance, the deep understanding indicated by this sweeping statement:

Each and every one of the creatures that [President Woodrow] Wilson conceived at Versailles, from the special status of the Rhineland and the Polish Corridor to Yugoslavia, to Czechoslovakia, to the Mandates of Palestine, Syria, and Iraq, ended up as the proximate cause of one or more wars – horrors for which America bears some responsibility. Particularly gratuitous and fateful was Wilson’s alienation of Japan, whose good relationship with Britain he destroyed.²²³

I have a problem, however, with Codevilla’s portrayal of the events leading to World War II. Although he accurately notes how the harsh economic settlement of World War I led to World War II, he seems to think that pacifist opinion among American political elites was a contributing factor because of deterrence measures they failed to take to preserve peace, such as fortifying East Asia so that Japan would not have a free hand there. Pacifist is hardly the appropriate term to describe the American machine in the 20th century; ‘bloodthirsty’ is closer to the mark.²²⁴ He may have a legitimate point that deterring Germany and Japan through diplomatic measures and fortifying bases could have made a difference,²²⁵ but if he wanted to make that point it would help to address the counterarguments of those

violence’. He then goes on the offensive against Muslim politicians at page 195: ‘Our business now is forcefully to restore respect for ourselves by holding those rulers responsible’.

222 Codevilla does realize that the CIA played a part in the Mohammad Mosaddegh’s overthrow, alluding to it on page 147, which makes his characterisation of the 1979 incident as an ‘act of war’ all the more inconsistent.

223 Ibid 104-105.

224 For elaboration on how the US has been recklessly violent throughout the 20th century see the sources in Anthony Gregory, ‘Libertarians and war: a bibliographical essay’ <<http://libertarianstandard.com/2013/03/20/libertarians-and-war-a-bibliographical-essay/>>

225 Although some argue that such power-play measures only end up provoking war, rather than deterring it.

who suggest America should not have disturbed its peace by joining World War II even once it broke out.²²⁶

There is another flaw in Codevilla's arguments. In chapter 11 (pp. 81-85) he portrays President Lincoln as an adherent to the rule of law, who tried to avoid armed conflict until the South's aggression left him no choice. He writes, '[t]he Civil War had made sense, to the extent it did, as the resolution of a set of questions about what kind of peace America could live with'.²²⁷ This ignores James Ostrowski's legal analysis where he finds that Lincoln violated the Constitution in using force to keep the southern states inside the union.²²⁸ And although it is commonly thought that the South initiated the war with its attack on Fort Sumter, things are not as black and white as Codevilla wants readers to believe. Fort Sumter was located in South Carolina, which had declared secession, yet the Fort's northern loyalists refused to leave, probably to manoeuvre the south into firing the first shot. Lincoln shrewdly took advantage of the situation to wage a war on all the southern states rather than just negotiating on the subject of Union property in South Carolina.²²⁹ There is much scholarship showing how Lincoln waged a war of northern aggression (rather than for peace) and repressed civil liberties. Many other nations abolished slavery without violence, yet Codevilla writes as if the Civil War was a necessary evil rather than a flawed policy perpetuated by Lincoln's lack of imagination in devising alternatives.

In whitewashing Lincoln, Codevilla harms the cause of serious analysts of peace because he indirectly justifies suppressing secessionist movements everywhere. But as Mises wrote, 'The right of self-determination ... thus means: whenever the inhabitants of a particular territory, whether it be a single village, a whole district, or

226 Gareth Garrett, *Defend America First* (Caxton Press, 2003); Murray Rothbard, 'America's two just wars: 1776 and 1861' in *Costs of War: America's Pyrrhic Victories* (Ludwig von Mises Institute, 1999). See also Patrick Buchanan, *Churchill, Hitler and 'The Unnecessary War': How Britain Lost its Empire and the West Lost the World* (Three Rivers Press, 2009) and Peter Hitchens, 'Was World War II just as pointless and self-defeating as Iraq?' *Daily Mail*, 19 April 2008 <<http://www.dailymail.co.uk/news/article-560700/Was-World-War-Two-just-pointless-self-defeating-Iraq-asks-Peter-Hitchens.html>>

227 Codevilla, *To Make and Keep Peace*, 84.

228 James Ostrowski, 'Was the Union Army's invasion of the Confederate states a lawful act? An analysis of President Lincoln's legal arguments' in *Secession, State and Liberty* (Transaction Publishers, 1998).

229 Abraham Lincoln, First inaugural address, 4 March 1861: 'The power confided to me will be used to hold, occupy, and possess the property and places belonging to the Government and to collect the duties and imposts; but beyond what may be necessary for these objects, there will be no invasion, no using of force against or among the people anywhere'. See also John Denson, 'Lincoln and the first shot: a study of deceit and deception' in *Reassessing the Presidency* (Ludwig von Mises Institute, 2001).

a series of adjacent districts, make it known, by a freely conducted plebiscite, that they no longer wish to remain united to the state to which they belong at the time ... their wishes are to be respected and complied with'.²³⁰ Allowing secessionists to depart peacefully can in many cases avoid bloodshed. If Codevilla understood what it takes to bring about peace, he would have understood that the south should have been allowed to depart. I noticed hints of such belligerence sprinkled throughout the book, which clouds a message delivered more consistently by other authors.²³¹

III.

Were the recommendations of this book followed by policymakers, American foreign policy would be better than it is now in terms of advancing peace. It would of course not be perfect and would have much irrationality. Many innocent people would die and America would still be hated around the world. However things would be better than they are now because, in the final analysis, Codevilla does advocate a more restrained and focused use of American power abroad. One can see this in the way he distinguishes himself from the mainstream schools of international relations thought by criticising liberal internationalists, neoconservatives and realists. He is more a dove than a hawk, but he appears less dovish than libertarian thought which advocates a foreign policy grounded in the rule of law.

The question posed at the beginning of this review can now be answered. Codevilla's essential message is that the US has lost its way. Successive administrations have forgotten how to achieve peace and flay about like bloodied animals rather than thinking clearly about the problems facing them. Codevilla gets the main points right but confuses the message through internal inconsistencies within his argument. *To Make and Keep Peace* is worth reading for its positive analysis but reject some normative recommendations where they are inconsistent with the founding fathers and the libertarians who follow in their steps.

²³⁰ Ludwig von Mises, *Liberalism* (Ludwig von Mises Institute, 2002) 109.

²³¹ In chapter 17, Codevilla wants the US to deliver aid to East German rebels to revolt against the Soviet Union. This contradicts his praise of George Washington in the earlier chapters, since it is unlikely Washington would have advocated such extensive interference in Europe's affairs. For fidelity to the founding fathers see Ivan Eland, *The empire has no clothes: US foreign policy exposed* (Independent Institute, 2008).

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About the Journal

The *Journal of Peace, Prosperity and Freedom* was founded in 2012 by Sukrit Sabhlok, a Master of Arts (Political Science) candidate at Monash University. The journal features an editorial board composed of respected scholars such as Stephan Kinsella of the Ludwig von Mises Institute and Dr. Ben O'Neill of the University of NSW (ADFA).

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