choice of rulers, who, in turn, will decide the policies. Let us, then, turn to this doctrine. It faces, fully as much as the classical theory, the self-contradiction on national or electoral boundaries; and the "modern democrat" (if we may call him such), as much as the "classical democrat" must advocate world government or none at all. On the question of representation, it is true that the modern democrat can successfully oppose direct television-democracy, or even proportional representation, and resort to our current system of single constituencies. But he is caught in a different dilemma: if the only function of the voting people is to choose rulers, why have a legislature at all? Why not simply vote periodically for a chief executive, or President, and then call it a day? If the criterion is efficiency, and stable rule by a single party for the term of office, then a single executive will be far more stable than a legislature, which may always splinter into warring groups and deadlock the government. The modern democrat, therefore, must also logically abandon the idea of a legislature and plump for granting all legislative powers to the elected executive. Both theories of democracy, it seems, must abandon the whole idea of a representative legislature.

Furthermore, the "modern democrat" who scoffs at direct democracy on the ground that the people are not intelligent or informed enough to decide the complex issues of government, is caught in another fatal contradiction: he assumes that the people *are* sufficiently intelligent and informed to vote on the *people* who will make these decisions. But if a voter is not competent to decide issues A, B, C, etc., how in the world could he possibly be qualified to decide whether Mr. X or Mr. Y is better able to handle A, B, or C? In order to make this decision, the voter would have to know a great deal about the issues *and* know enough about the persons whom he is selecting. In short, he would probably have to know *more* in a representative than in a direct democracy. Furthermore, the average voter is necessarily *less* qualified to choose persons to decide issues than he is to vote on the issues themselves. For the issues are at least intelligible to him, and he can understand some of their relevance; but the candidates are people whom he cannot possibly know personally and whom he therefore knows essentially nothing about. Hence, he can vote for them only on the basis of their external "personalities," glamorous smiles, etc., rather than on their actual competence; as a result, however ill-informed the voter, his choice is almost bound to be less intelligent under a representative republic than in a direct democracy.[24,25]

We have seen the problems that democratic theory has with the legislature. It also has difficulty with the judiciary. In the first place, the very concept of an "independent judiciary" contradicts the theory of democratic rule (whether classical or modern). If the judiciary is *really* independent of the popular will, then it functions, at least within its own sphere, as an oligarchic dictatorship, and we can no longer call the government a "democracy." On the other hand, if the judiciary is elected directly by the voters, or appointed by the voters' representatives (both systems are used in the United States), then the judiciary is hardly independent. If the election is periodic, or if the appointment is subject to renewal, then the judiciary is no more independent of political processes than any other branch of government. If the appointment is for life, then the independence is greater, although even here, if the legislature votes the funds for the judges' salaries, or if it decides the jurisdiction of judicial powers, judicial independence may be sharply impaired.

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[24]The "modern democrat" might object that the candidate's party affiliation enables the voter to learn, if not his personal competence, at least his political ideology. But the "modern democrat" is precisely the theorist who hails the current "two-party" system, in which the platforms of both parties are almost indistinguishable, as the most efficient, stable form of democratic government.

[25]These considerations also serve to refute the contention of the "conservative" that a republic will avoid the inherent contradictions of a direct democracy—a position that itself stands in contradiction to its proponents' professed opposition to executive as against legislative power.

We have not exhausted the problems and contradictions of democratic theory; and we may pursue the rest by asking: Why democracy anyway? Until now, we have been discussing various theories of *how* democracies should function, or what areas (e.g., issues or rulers) should be governed by the democratic process. We may now inquire about the theories that support and justify democracy itself.

One theory, again of classical vintage, is that the majority will always, or almost always, make the morally right decisions (whether about issues or men). Since this is not an ethical treatise, we cannot deal further with this doctrine, except to say that few people hold this view today. It has been demonstrated that people can democratically choose a wide variety of policies and rulers, and the experience of recent centuries has, for the most part, vitiated any faith that people may have had in the infallible wisdom and righteousness of the average voter.

Perhaps the most common and most cogent argument for democracy is *not* that democratic decisions will always be wise, but that the democratic process provides for peaceful change of government. The majority, so the argument runs, must support *any* government, regardless of form, if it is to continue existing for long; far better, then, to let the majority exercise this right peacefully and periodically than to force the majority to keep overturning the government through violent revolution. In short, ballots are hailed as substitutes for bullets. One flaw in this argument is that it completely overlooks the possibility of the nonviolent overthrow of the government by the majority through civil disobedience, i.e., peaceful refusal to obey government orders. Such a revolution would be consistent with this argument's ultimate end of preserving peace and yet would not require democratic voting.[26]

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[26]Thus Etienne de La Boétie:

> Obviously there is no need of fighting to overcome this single tyrant, for he is automatically defeated if the country

There is, moreover, another flaw in the "peaceful-change" argument for democracy, this one being a grave self-contradiction that has been universally overlooked. Those who have adopted this argument have simply used it to give a seal of approval to all democracies and have then moved on quickly to other matters. They have not realized that the "peaceful-change" argument establishes a *criterion* for government before which any given democracy must pass muster. For the argument that ballots are to substitute for bullets must be taken in a precise way: that a democratic election will yield *the same result as would have occurred* if the majority had had to battle the minority in violent combat. In short, the argument implies that the election results are simply and precisely a substitute for a test of physical combat. Here we have a criterion for democracy: Does it really yield the results that would have been obtained through civil combat? If we find that democracy, or a certain form of democracy, leads systematically to results that are very wide of this "bullet-substitute" mark, then we must either reject democracy or give up the argument.

How, then, does democracy, either generally or in specific countries, fare when we test it against its own criterion? One of the essential attributes of democracy, as we have seen, is that each man have one vote.[27] But the "peaceful-change" argument

> refuses consent to its own enslavement: it is not necessary to deprive him of anything, but simply to give him nothing; there is no need that the country make an effort to do anything for itself provided it does nothing against itself. It is therefore the inhabitants themselves who permit, or rather, bring about, their own subjection, since by ceasing to submit they could put an end to their servitude. (La Boétie, *Anti-Dictator*, pp. 8–9)

[27]Even though, in practice, votes of rural or other areas are often more heavily weighted, this democratic ideal is roughly approximated, or at least is the general aspiration, in the democratic countries.

implies that each man would have counted equally in any combat test. But is this true? In the first place, it is clear that physical power is *not* equally distributed. In any test of combat, women, old people, sick people, and 4F's would fare very badly. On the basis of the "peaceful-change" argument, therefore, there is no justification whatever for giving these physically feeble groups the vote. So, barred from voting would be all citizens who could not pass a test, not for literacy (which is largely irrelevant to combat prowess), but for physical fitness. Furthermore, it clearly would be necessary to give plural votes to all men who have been militarily trained (such as soldiers and policemen), for it is obvious that a group of highly trained fighters could easily defeat a far more numerous group of equally robust amateurs.

In addition to ignoring the inequalities of physical power and combat fitness, democracy fails, in another significant way, to live up to the logical requirements of the "peaceful-change" thesis. This failure stems from another basic inequality: inequality of *interest* or intensity of belief. Thus, 60 percent of the population may oppose a certain policy, or political party, while only 40 percent favor it. In a democracy, this latter policy or party will be defeated. But suppose that the bulk of the 40 percent are passionate enthusiasts for the measure or candidate, while the bulk of the 60 percent majority have only slight interest in the entire affair. In the absence of democracy, far more of the passionate 40 percent would have been willing to engage in a combat test than would the apathetic 60 percent. And yet, in a democratic election, one vote by an apathetic, only faintly interested person offsets the vote of a passionate partisan. Hence, the democratic process grievously and systematically distorts the results of the hypothetical combat test.

It is probable that no voting procedure could avoid this distortion satisfactorily and serve as any sort of accurate substitute for bullets. But certainly much could be done to alter current voting procedures to bring them closer to the criterion, and it is surprising that no one has suggested such reforms. The whole trend of existing democracies, for example, has been to make voting easier for the people; but this violates the bullet-substitute test directly, because it has been made ever easier for the apathetic to register their votes and thus distort the results. Clearly, what would be needed is to make voting far more difficult and thus insure that only the most intensely interested people will vote. A moderately high poll tax, not large enough to keep out those enthusiasts who could not afford to pay, but large enough to discourage the indifferent, would be very helpful. Voting booths should certainly be further apart; the person who refuses to travel any appreciable distance to vote would surely not have fought in his candidate's behalf. Another useful step would be to remove all names from the ballot, thereby requiring the voters themselves to write in the names of their favorites. Not only would this procedure eliminate the decidedly undemocratic special privilege that the State gives to those whose names it prints on the ballot (as against all other persons), but it would bring elections closer to our criterion, for a voter who does not know the name of his candidate would hardly be likely to fight in the streets on his behalf. Another indicated reform would be to abolish the secrecy of the ballot. The ballot has been made secret in order to protect the fearful from intimidation; yet civil combat is peculiarly the province of the courageous. Surely, those not courageous enough to proclaim their choice openly would not have been formidable fighters in the combat test.

These and doubtless other reforms would be necessary to move the election results to a point approximating the results of a combat foregone. And yet, if we define democracy as including equal voting, this means that democracy simply cannot meet its own criterion as deduced from the "peaceful-change" argument. Or, if we define democracy as majority voting, but not necessarily equal, then the advocates of democracy would have to favor: abolishing the vote for women, sick people, old people, etc.; plural voting for the militarily trained; poll taxes; the open vote; etc. In any case, democracy such as we have known it, marked by equal voting for each person, is directly contradicted by the "peaceful-change" argument. One or the other, the argument or the system, must be abandoned.

If the arguments for democracy are thus shown to be a maze of fallacy and contradiction, does this mean that democracy must be completely abandoned, except on the basis of a purely arbitrary, unsupported value judgment that "democracy is good"? Not necessarily, for democracy may be thought of, not so much as a value *in itself*, but as a possible method for achieving other desired ends. The end may be either to put a certain political leader into power or to attain desired governmental policies. Democracy, after all, is simply a method of choosing governors and issues, and it is not so surprising that it might have value largely to the extent that it serves as a *means* to other political ends. The socialist and the libertarian, for example, while recognizing the inherent instability of the democratic form, may favor democracy as a means of *arriving* at a socialist or a libertarian society. The libertarian might thus consider democracy as a useful way of protecting people against government or of advancing individual liberty.[28] One's views of democracy, then, depend upon one's estimates of the given circumstances.

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[28]Some libertarians consider a constitution a useful device for limiting or preventing governmental encroachments on individual liberty. A major difficulty with this idea was pointed out with great clarity by John C. Calhoun: that no matter how strict the limitations placed on government by a written constitution, these limits must be constantly weakened and expanded if the final power to interpret them is placed in the hands of an organ of the government itself (e.g., the Supreme Court). *See* Calhoun, *Disquisition on Government*, pp. 25–27.

Appendix
The Role of Government Expenditures in National Product Statistics[29]

National product statistics have been used widely in recent years as a reflection of the total product of society and even to indicate the state of "economic welfare." These statistics cannot be used to frame or test economic theory, for one thing because they are an inchoate mixture of grossness and netness and because no objectively measurable "price level" exists that can be used as an accurate "deflator" to obtain statistics of some form of aggregate physical output. National product statistics, however, may be useful to the economic historian in describing or analyzing an historical period. Even so, they are highly misleading as currently used.

Private product is appraised at exchange values set by the market, and difficulty occurs even here. The major trouble, however, enters with the appraisal of the role of the government in contributing to the national product. What is the government's contribution to the product of society? Originally, national income statisticians were split on this issue. Simon Kuznets evaluated government services as equal to the taxes paid, assuming that government is akin to private business and that government receipts, like the receipts of a firm, reflect the market-appraised value of its product. The error in treating government like a private business should be clear by this point in our discussion. Now generally adopted is the Department of Commerce method of appraising government services as equal to their "cost," i.e., to government expenditures on the salaries of its officials and on commodities purchased from private enterprise. The difference is that all governmental deficits are included by the Department in the government's "contribution"

[29]For a critique of the arguments for government activity—"collective goods" and "neighborhood effects" or "external benefits"—*see Man, Economy, and State*, pp. 1029–41.

to the national product. The Department of Commerce method fallaciously assumes that the government's "product" is measurable by what the government spends. On what possible basis can this assumption be made?

Actually, since governmental services are not tested on the free market, there is no possible way of measuring government's alleged "productive contribution." All government services, as we have seen, are monopolized and inefficiently supplied. Clearly, if they are worth anything, they are worth far less than their cost in money. Furthermore, the government's tax revenue *and* deficit revenue are both burdens imposed on production, and the nature of this burden should be recognized. Since government activities are more likely to be depredations upon, rather than contributions to, production, it is more accurate to make the *opposite* assumption: namely, that government contributes nothing to the national product and its activities sap the national product and channel it into unproductive uses.

In using "national product" statistics, then, we must correct for the inclusion of government activities in the national product. From net national product, we first deduct "income originating in government," i.e., the salaries of government officials. We must also deduct "income originating in government enterprises." These are the current expenditures or salaries of officials in government enterprises that sell their product for a price. (National income statistics unfortunately include these accounts in the *private* rather than in the governmental sector.) This leaves us with net private product, or NPP. From NPP we must deduct the depredations of government in order to arrive at *private product remaining* in private hands, or PPR. These depredations consist of: (*a*) purchases from business by government; (*b*) purchases from business by government enterprises; and (*c*) transfer payments.[30] The

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[30]Purchases from business should be deducted *gross* of government sales to the public, rather than net, for government sales are simply equivalent to tax revenue in absorbing money from the private sector.

total of these depredations, divided by NPP, yields the percentage of government depredation on the private product. A simpler guide to the fiscal impact of government on the economy would be to deduct the total expenditures of government and government enterprises from the NNP (these expenditures equalling income originating in government and government enterprises, added to the total depredations). This figure would be an estimate of total government depredation on the economy.

Of course, taxes and revenues of government enterprises could be deducted instead from the NNP, and the result would be the same in accordance with double-entry principles, *provided* that a government deficit is also deducted. On the other hand, if there is a surplus in the government budget, then this surplus should be deducted as well as expenditures, since it too absorbs funds from the private sector. In short, *either* total government expenditures or total government receipts (each figure inclusive of government enterprises) should be deducted from NNP, *whichever is the higher.* The resulting figures will yield an approximation of the impact of the government's fiscal affairs on the economy. A more precise estimate, as we have seen, would compare total depredations proper with gross private product.

In subtracting government expenditures from the gross national product, we note that government *transfer payments* are included in this deduction. Professor Due would dispute this procedure on the ground that transfer activities are not included in the national product figures. But the important consideration is that *taxes* (and deficits) to finance transfer payments *do* act as a drain on the national product and therefore must be subtracted from NNP to yield PPR. In gauging the relative size of governmental *vis-à-vis* private activity, Due warns that the sum of governmental expenditures should not include transfer payments, which "merely shift purchasing power" without using up resources. Yet this "mere shift" is as much a burden upon the producers—as much a shift from voluntary production to State-created privilege—as any other governmental expenditure.[31]

[31]Due, *Government Finance*, pp. 76–77. For application of the above method of correcting national product statistics, *see* Murray N. Rothbard, *America's Great Depression* (Princeton, N.J.: D. Van Nostrand, 1963), pp. 296–304.

6

Antimarket Ethics: A Praxeological Critique

1. Introduction: Praxeological Criticism of Ethics

Praxeology—economics—provides no ultimate ethical judgments: it simply furnishes the indispensable data necessary to make such judgments. It is a formal but universally valid science based on the existence of human action and on logical deductions from that existence. And yet praxeology may be extended beyond its current sphere, to criticize ethical goals. This does not mean that we abandon the value neutrality of praxeological science. It means merely that even ethical goals must be framed meaningfully and, therefore, that praxeology can criticize (1) existential errors made in the formulation of ethical propositions and (2) the possible existential meaninglessness and inner inconsistency of the goals themselves. If an ethical goal can be shown to be self-contradictory and *conceptually impossible* of fulfillment, then the goal is clearly an absurd one and should be abandoned by all. It should be noted that we are not disparaging ethical goals that may be practically unrealizable in a given historical situation; we do not reject the goal of abstention from robbery simply because it is not likely to be completely fulfilled in the near future. What we do propose to discard are those ethical goals that are conceptually impossible of fulfillment because of the inherent nature of man and of the universe.

We therefore propose to place a restriction on the unlimited validity of anyone's ultimate ethical valuations. In doing so, we still are not pushing beyond the bounds of praxeology to function as ethicists, for we are not here attempting to establish a positive ethical system of our own or even to prove that such a system is attainable. We believe only that praxeology should have the right of veto, to discard any ethical propositions that fail to meet the test of conceptual possibility or internal consistency.

Furthermore, we maintain that whenever an ethical goal has been shown to be conceptually impossible and therefore absurd, *it is equally absurd to take measures to approach that ideal*. It is illegitimate to concede that X is an absurd goal, and then to go on to say that we should take all possible measures to approach it, at any rate. If the end is absurd, so is the approach toward that end; this is a praxeological truth derived from the law that a means can obtain its value only by being imputed from the end.[1] A drive toward X only obtains its value from the value of X itself; if the latter is absurd, then so is the former.

There are two types of ethical criticisms that can be made of the free-market system. One type is purely existential; that is, it rests on existential premises only. The other type advances conflicting ethical goals and protests that the free market does not attain these goals. (Any mixture of the two will here be placed in the second category.) The first type says: (1) The free market leads to consequence A; (2) I don't like consequence A

[1]In short, we are saying that the means must be justified by the end. What else but an end *can* justify a means? The common conception that the doctrine, "the end justifies the means," is an immoral device of Communists, is hopelessly confused. When, for example, people object to murder as a means to achieve goals, they are objecting to murder, not because they do not believe that means are justified by ends, but because they have conflicting ends—for example, the *end* that murder not be committed. They may hold this view as an end-in-itself or because it is a means to other ends, such as upholding each man's right to life.

(or consequence A is objectively unlikable); (3) therefore, the free market should not be established. To refute this type of criticism, it is necessary only to refute the existential proposition in the first part of the argument, and this is, admittedly, a purely praxeological task.

The following are brief summaries of very common criticisms of the free market that can be refuted praxeologically and that, indeed, have been refuted, implicitly or explicitly, in other writings:

(1) *The free market causes business cycles and unemployment*. Business cycles are caused by the governmental intervention of bank-credit expansion. Unemployment is caused by unions or government keeping wage rates above the free-market level. Only coercive intervention, not private spending, can bring about inflation.

(2) *The free market is likely to bring about monopoly and monopoly pricing*. If we define "monopoly" as the "single seller of a product," we founder on insoluble problems. We cannot identify homogeneous products, except in the concrete day-to-day valuations of consumers. Furthermore, if we consider such monopoly as wicked, we must regard both Crusoe and Friday as vicious monopolists if they exchange fish and lumber on their desert island. But if Crusoe and Friday are not wicked, how can a more complex society, one *necessarily* less monopolistic in this sense, be at all wicked? At what point in the reduced scope of such monopoly can it be considered evil? And how can the market be held responsible for the number of people inhabiting the society? Moreover, every individual striving to be better than his fellows is thereby trying to be a "monopolist." Is this bad? Do not both he and the rest of society benefit from his better mousetrap? Finally, there is no conceptually identifiable monopoly or monopolistic price on the free market.

Hence, a monopoly price and a monopoly by any usable definition arise only through the coercive grant of exclusive privilege by the government, and this *includes* all attempts to "enforce competition."[2]

(3) *The government must do what the people themselves cannot do.* We have shown that no such cases can exist.

There are other criticisms, however, which infuse various degrees of ethical protest into the argument. This chapter will be devoted to a praxeological critique of some of the most popular of these antimarket ethical contentions.

2. Knowledge of Self-Interest: An Alleged Critical Assumption

This criticism of the market is more existential than ethical. It is the popular argument that *laissez faire*, or the free-market economy, rests its case on the crucial assumption that every individual knows his own self-interest best. Yet, it is charged, this is not true of many individuals. Therefore, the State must intervene, and the case for the free market is vitiated.

The free-market doctrine, however, does *not* rest on any such assumption. Like the mythical "economic man," the Perfectly Wise Individual is a straw man created by the critics of the theory, not implied by it.

First, it should be evident from our analysis of the free market and government intervention throughout this work that any argument for the free market rests on a far deeper and more complex doctrine. We cannot enter here into the many ethical and philosophical arguments for freedom. Secondly, the *laissez-faire* or free-market doctrine does *not* assume that everyone always knows his own interest best; it asserts rather *that everyone should have the right to be free to pursue his own interest as he deems best*. Critics may argue that the government should force men to lose some *ex ante* or present utility in order to gain *ex post* utility later, by being compelled to pursue their own best interests. But libertarians may well reply in rebuttal: (1) that a

[2]For further discussion, *see Man, Economy, and State*, chapter 10.

person's resentment at coercive interference will lower his *ex post* utility in any event; and (2) that the condition of freedom is a vital, necessary prerequisite for a person's "best interests" to be attained. Indeed, the only lasting way to correct a person's errors is by persuasive reasoning; force cannot do the job. As soon as the individual can evade this force, he will return to his own preferred ways.

No one, certainly, has perfect foresight into the uncertain future. But free entrepreneurs on the market are better equipped than anyone else, by incentive and by economic calculation, to foresee and satisfy the needs of the consumers.

But what if the *consumers* are mistaken with regard to their own interests? Obviously, they sometimes are. But several more points must be made. In the first place, every individual knows the data of his own inner self best—by the very fact that each has a separate mind and ego. Secondly, the individual, if in doubt about what his own true interests are, *is free to hire and consult experts to give him advice based on their superior knowledge.* The individual hires these experts and, on the market, can continuously test their helpfulness. Individuals on the market, in short, tend to patronize those experts whose advice proves most successful. Good doctors or lawyers reap rewards on the free market, while poor ones fail. But when government intervenes, the government expert acquires his revenue by compulsory levy. There is no market test of his success in teaching people their true interests. The only test is his success in acquiring the political support of the State's machinery of coercion.

Thus, the privately hired expert flourishes in proportion to his ability, whereas the government expert flourishes in proportion to his success in currying political favor. Moreover, what incentive does the government expert have to *care* about the interests of his subjects? Surely he is not especially endowed with superior qualities by virtue of his government post. He is no more virtuous than the private expert; indeed, he is inherently less capable and is more inclined to wield coercive force. But while the private expert has every pecuniary incentive to care about his clients or patients, the government expert has no incentive whatever. He obtains his revenue in any event. He is devoid of any incentive to worry about his subject's true interests.

It is curious that people tend to regard government as a quasi-divine, selfless, Santa Claus organization. Government was constructed neither for ability nor for the exercise of loving care; government was built for the use of force and for necessarily demagogic appeals for votes. If individuals do not know their own interests in many cases, they are free to turn to private experts for guidance. It is absurd to say that they will be served better by a coercive, demagogic apparatus.

Finally, the proponents of government intervention are trapped in a fatal contradiction: they assume that individuals are not competent to run their own affairs or to hire experts to advise them. And yet they also assume that these same individuals are equipped to vote for these same experts at the ballot box. We have seen that, on the contrary, while most people have a direct idea and a direct test of their own personal interests on the market, they cannot understand the complex chains of praxeological and philosophical reasoning necessary for a choice of rulers or political policies. Yet this political sphere of open demagogy is precisely the only one where the mass of individuals are deemed to be competent![3, 4]

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[3]Interventionists assume the *political* (but no other) competence of the people even when they favor dictatorship rather than democracy. For if the people do not vote under a dictatorship, they still must accept the rule of the dictator and his experts. So the interventionists cannot escape this contradiction even if they give up democracy.

[4]Ludwig von Mises has been active in pointing out this contradiction. Thus, *see* his *Planning for Freedom* (South Holland, Ill.: Libertarian Press, 1952), pp. 42–43. However, the remainder of Mises' criticism of this anti-market argument (*ibid.*, pp. 40–44) rather differs from the one presented here.

3. The Problem of Immoral Choices

Some writers are astute enough to realize that the market economy is simply a resultant of individual valuations, and thus they see that, if they do not like the results, the fault lies with the valuations, not the economic system. Yet they proceed to advocate government intervention to correct the immorality of individual choices. If people are immoral enough to choose whiskey rather than milk, cosmetics rather than educational matter, then the State, they say, should step in and correct these choices. Much of the rebuttal parallels the refutation of the knowledge-of-interests argument; i.e., it is self-contradictory to contend that people cannot be trusted to make moral decisions in their daily lives but *can* be trusted to vote for or accept leaders who are morally wiser than they.

Mises states, quite rightly, that anyone who advocates governmental dictation over one area of individual consumption must logically come to advocate complete totalitarian dictation over all choices. This follows if the dictators have any set of valuational principles whatever. Thus, if the members of the ruling group like Bach and hate Mozart, and they believe strongly that Mozartian music is immoral, they are just as right in prohibiting the playing of Mozart as they are in prohibiting drug use or liquor consumption.[5] Many statists, however, would not balk at

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[5]Mises, *Human Action*, pp. 728–29. The same total dictatorship over consumer choice is also implied by the knowledge-of-interest argument discussed above. As Thomas Barber astutely says:

> It is illegal for pleasure-boaters to fail to carry a life preserver for every person on board. A great number of young men are publicly employed to go about and look for violators of this law. Pleasant for the young men, of course. But is it really any more the government's business that a man goes canoeing without a life preserver than that he goes out in the rain without his rubbers? . . . The law is irritating to the individual concerned, costly to the

this conclusion and would be willing to take over this congenial task.

The utilitarian position—that government dictation is bad because no rational ethics exists, and therefore no person has a right to impose his arbitrary values on someone else—is, we believe, an inadequate one. In the first place, it will not convince those who believe in a rational ethics, who believe that there *is* a scientific basis for moral judgments and that they are not pure whim. And furthermore, the position involves a hidden moral assumption of its own—that A has *no right* to impose any arbitrary values on B. But if ends are arbitrary, is not the end "that arbitrary whims not be imposed by coercion" *just* as arbitrary? And suppose, further, that ranking high on A's value scale is the arbitrary whim of *imposing his other values on B.* Then the utilitarians cannot object and must abandon their attempt to defend individual liberty in a value-free manner. In fact, the utilitarians are helpless against the man who *wants* to impose his values by coercion and who persists in doing so even after the various economic consequences are pointed out to him.[6]

The would-be dictator can be logically refuted in a completely different way, even while remaining within *Wertfrei* praxeological bounds. For what is the complaint of the would-be dictator against free individuals? That they act immorally in various ways. The dictator's aim, therefore, is to advance morality and combat immorality. Let us grant, for the sake of argument, that an objective morality *can* be arrived at. The question that must be faced, then, is: *Can force advance morality*? Suppose

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> taxpayers, and turns a lot of potential producers into economic parasites. Perhaps the manufacturers of life preservers engineered its passage. (Barber, *Where We Are At*, p. 89)

[6]It is true that we do not advocate ends *in this volume*, and in that sense praxeology is "utilitarian." But the difference is that utilitarianism would extend this *Wertfrei* injunction from its proper place in economics and praxeology to embrace *all* of rational discourse.

we arrive at the demonstrable conclusion that actions A, B, and C are immoral, and actions X, Y, and Z are moral. And suppose we find that Mr. Jones shows a distressing propensity to value A, B, and C highly and adopts these courses of action time and again. We are interested in transforming Mr. Jones from being an immoral person to being a moral person. How can we go about it? The statists answer: *by force.* We must prohibit at gunpoint Mr. Jones from doing A, B, and C. *Then*, at last, he will be moral. But will he? Is Jones moral because he chooses X when he is *forcibly deprived* of the opportunity to choose A? When Smith is confined to a prison, is he being *moral* because he doesn't spend his time in saloons getting drunk?

There is no sense to any concept of morality, regardless of the particular moral action one favors, if a man is not free to do the *immoral* as well as the moral thing. If a man is not free to choose, if he is compelled by force to do the moral thing, then, on the contrary, *he is being deprived of the opportunity of being moral.* He has not been permitted to weigh the alternatives, to arrive at his own conclusions, and to take his stand. If he is deprived of free choice, he is acting under the dictator's will rather than his own. (Of course, he *could* choose to be shot, but this is hardly an intelligible conception of free choice of alternatives. In fact, he then has only one free choice: the hegemonic one—to be shot or to obey the dictator in all things.)

Dictatorship over consumers' choices, then, can only *atrophy* morality rather than promote it. There is but one way that morality can spread from the enlightened to the unenlightened—and that is by rational persuasion. If A convinces B through the use of reason that his moral values are correct and B's are wrong, then B will change and adopt the moral course of his own free will. To say that this method is a slower procedure is beside the point. The point is that morality can spread *only* through peaceful persuasion and that the use of force can only erode and impair morality.

We have not even mentioned other facts that strengthen our argument, such as the great difficulty in enforcing dictatorial rules against people whose values clash with them. The man who prefers the immoral course and is prevented by the bayonet from acting on his preference will do his best to find ways to circumvent the prohibition—perhaps by bribing the bayoneteer. And, because this is not a treatise on ethics, we have not mentioned the libertarian ethical theory which holds that the use of coercion is itself the highest form of *immorality*.

Thus, we have shown that would-be dictators must necessarily fail to achieve their professed goal of advancing morality because the consequences will be precisely the opposite. It is possible, of course, that the dictators are not really sincere in stating their goal; perhaps their true purpose is to wield power over others and to prevent others from being happy. In that case, of course, praxeology can say no more about the matter, although ethics may find a good deal to say.[7]

4. The Morality of Human Nature

It is very common to assert that the advocates of the purely free market make one fundamental and shaky assumption: that all human beings are angels. In a society of angels, it is commonly agreed, such a program could "work," but not in our fallible world. The chief difficulty with this criticism is that no libertarian—except possibly those under Tolstoyan influence—has ever made such an assumption. The advocates of the free market

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[7]Mises often states that interventionary measures in the market, e.g., price controls, will have consequences that even the government officials administering the plans would consider bad. But the problem is that we do not *know* what the government officials' ends are—*except* that they demonstrably *do* like the power they have acquired and the wealth they have extracted from the public. Surely these considerations may often prove paramount in their minds, and we therefore cannot say that government officials would invariably concede, after learning all the consequences, that their actions were mistaken.

have not assumed a reformation of human nature, although they would certainly have no objection to such a reformation if it took place. We have seen that libertarians envision defense services against predators as provided by private bodies rather than by the State. But they do not assume that crime would magically disappear in the free society.

Statists concede to libertarians that no State would be required if all men were "good." State control is allegedly required only to the extent that men are "evil." But what if *all* men were "evil"? As F.A. Harper has pointed out:

> Still using the same principle that political rulership should be employed to the extent of the evil in man, we would then have a society in which complete political rulership of all the affairs of everybody would be called for. . . . One man would rule all. But who would serve as the dictator? However he were to be selected and affixed to the political throne, he would surely be a totally evil person, since all men are evil. And this society would then be ruled by a totally evil dictator possessed of total political power. And how, in the name of logic, could anything short of total evil be its consequence? How could it be better than having no political rulership at all in that society?[8]

Is this argument unrealistic because, as everyone agrees, human beings are a compound, capable of both good and evil? But then, at what point in this mixture does State dictation become necessary? In fact, the libertarian would reason that the fact that human nature is a mixture of both good and evil provides its own particular argument in his favor. For if man is such a mixture, then the best societal framework is surely one in which evil is discouraged and the good encouraged. The libertarian maintains that the existence of the State apparatus provides a

[8]F.A. Harper, "Try This on Your Friends," *Faith and Freedom*, January, 1955, p. 19.

ready, swift channel for the exercise of evil, since the rulers of the State are thereby legitimated and can wield compulsion in ways that no one else is permitted to do. What is considered "crime" socially, is called "exercise of democratic power" when performed by an individual as a State official. The purely free market, on the other hand, eliminates all legitimated channels for the exercise of power over man.

5. The Impossibility of Equality

Probably the most common ethical criticism of the market economy is that it fails to achieve the goal of equality. Equality has been championed on various "economic" grounds, such as minimum social sacrifice or the diminishing marginal utility of money (see the chapter on taxation above). But in recent years economists have recognized that they cannot justify egalitarianism by economics, that they ultimately need an ethical basis for equality.

Economics or praxeology cannot establish the validity of ethical ideals, but even ethical goals must be framed meaningfully. They must therefore pass muster before praxeology as being internally consistent and conceptually possible. The credentials of "equality" have so far not been adequately tested.

It is true that many objections have been raised that give egalitarians pause. Sometimes realization of the necessary consequences of their policies causes an abandonment, though more often a slowing down, of the egalitarian program. Thus: compulsory equality will demonstrably stifle incentive, eliminate the adjustment processes of the market economy, destroy all efficiency in satisfying consumer wants, greatly lower capital formation, and cause capital consumption—all effects signifying a drastic fall in general standards of living. Furthermore, only a free society is *casteless*, and therefore only freedom will permit mobility of income according to productivity. Statism, on the other hand, is likely to freeze the economy into a mold of (nonproductive) inequality.

Yet these arguments, though powerful, are by no means conclusive. Some people will pursue equality anyway; many will take these considerations into account by settling for *some* cuts in living standards in order to gain *more* equality.

In all discussions of equality, it is considered self-evident that equality is a very worthy goal. But this is by no means self-evident. For the very goal of equality itself is open to serious challenge. The doctrines of praxeology are deduced from three universally acceptable axioms: the major axiom of the existence of purposive human action; and the minor postulates, or axioms, of the *diversity* of human skills and natural resources, and the disutility of labor. Although it is possible to construct an economic theory of a society without these two minor axioms (but not without the major one), they are included in order to limit our theorizing to laws that can apply directly to reality.[9] Anyone who wants to set forth a theory applicable to *interchangeable* human beings is welcome to do so.

Thus, the diversity of mankind is a basic postulate of our knowledge of human beings. But if mankind is diverse and individuated, then how can anyone propose *equality* as an ideal? Every year, scholars hold Conferences on Equality and call for greater equality, and no one challenges the basic tenet. But what justification can equality find in the nature of man? If each individual is unique, how else can he be made "equal" to others than by destroying most of what is human in him and reducing human society to the mindless uniformity of the ant heap? It is the task of the egalitarian, who confidently enters the scene to inform the economist of his ultimate ethical goal, to prove his case. He must show how equality can be compatible with the nature of mankind and must defend the feasibility of a possible egalitarian world.

But the egalitarian is in even direr straits, for it can be shown that equality of income is an *impossible* goal for mankind.

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[9]For a further discussion of these axioms, *see* Rothbard, "In Defense of Extreme Apriorism," *Southern Economic Journal*, January, 1957, pp. 314–20.

Income can *never* be equal. Income must be considered, of course, in real and not in money terms; otherwise there would be no true equality. Yet real income can never be equalized. For how can a New Yorker's enjoyment of the Manhattan skyline be equalized with an Indian's? How can the New Yorker swim in the Ganges as well as an Indian? Since every individual is necessarily situated in a different space, every individual's real income must differ from good to good and from person to person. There is no way to combine goods of different types, to measure some income "level," so it is meaningless to try to arrive at some sort of "equal" level. The fact must be faced that equality *cannot* be achieved because it is a conceptually impossible goal for man, by virtue of his necessary dispersion in location and diversity among individuals. But if equality is an absurd (and therefore *irrational*) goal, then any effort to approach equality is correspondingly absurd. If a goal is pointless, then any attempt to attain it is similarly pointless.

Many people believe that, though equality of income is an absurd ideal, it can be replaced by the ideal of *equality of opportunity*. Yet this, too, is as meaningless as the former concept. How can the New Yorker's opportunity and the Indian's opportunity to sail around Manhattan, or to swim in the Ganges, be "equalized"? Man's inevitable diversity of location effectively eliminates any possibility of equalizing "opportunity."

Blum and Kalven lapse into a common error[10] when they state that justice connotes equality of opportunity and that this equality requires that "the contestants start from the same mark," so that the "game" be "fair." Human life is not some sort of race or game in which each person should start from an identical mark. It is an attempt by each man to be as happy as possible. And each person *could not* begin from the same point, for the world has not just come into being; it is diverse and infinitely varied in its parts. The mere fact that one individual is

[10]Blum and Kalven, *Uneasy Case for Progressive Taxation*, pp. 501 ff.

necessarily *born in a different place* from someone else immediately insures that his inherited opportunity *cannot* be the same as his neighbor's. The drive for equality of opportunity would also require the abolition of the family since different parents have unequal abilities; it would require the communal rearing of children. The State would have to nationalize all babies and raise them in State nurseries under "equal" conditions. But even here conditions cannot be the same, because different State officials will themselves have different abilities and personalities. And equality can never be achieved because of necessary differences of location.

Thus, the egalitarian must not be permitted any longer to end discussion by simply proclaiming equality as an absolute ethical goal. He must first face all the social and economic consequences of egalitarianism and try to show that it does not clash with the basic nature of man. He must counter the argument that man is not made for a compulsory ant heap existence. And, finally, he must recognize that the goals of equality of income and equality of opportunity are conceptually unrealizable and are therefore absurd. Any drive to achieve them is *ipso facto* absurd as well.

Egalitarianism is, therefore, a literally senseless social philosophy. Its only meaningful formulation is the goal of "equality of liberty"—formulated by Herbert Spencer in his famous Law of Equal Freedom: "Every man has freedom to do all he wills, provided he infringes not the equal freedom of any other man."[11] This goal does not attempt to make every individual's *total condition* equal—an absolutely impossible task; instead, it advocates liberty—a condition of absence of coercion over person and property for every man.[12]

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[11]Spencer, *Social Statics*, p. 121.

[12]This goal has sometimes been phrased as "equality before the law," or "equality of rights." Yet both formulations are ambiguous and misleading. The former could be taken to mean equality of slavery as well as liberty and has, in fact, been so narrowed down in recent years as to be

Yet even this formulation of equality has many flaws and could profitably be discarded. In the first place, it opens the door for ambiguity and for egalitarianism. In the second place, the term "equality" connotes measurable identity with a fixed, extensive unit. "Equal length" means identity of measurement with an objectively determinable unit. In the study of human action, whether in praxeology or social philosophy, there is no such quantitative unit, and hence there can be no such "equality." Far better to say that "each man should have X" than to say that "all men should be equal in X." If someone wants to urge every man to buy a car, he formulates his goal in that way—"Every man should buy a car"—rather than in such terms as: "All men should have equality in car buying." The use of the term "equality" is awkward as well as misleading.

And finally, as Clara Dixon Davidson pointed out so cogently many years ago, Spencer's Law of Equal Freedom is redundant. For if *every* man has freedom to do all that he wills, it follows from this very premise that *no man's* freedom has been infringed or invaded. The whole second clause of the law after "wills" is redundant and unnecessary.[13] Since the formulation of Spencer's Law, opponents of Spencer have used the qualifying clause to drive holes into the libertarian philosophy. Yet all this time they were hitting at an encumbrance, not at the essence of the law. The concept of "equality" has no rightful place in the "Law of Equal Freedom," being replaceable by the logical quantifier "every." The "Law of Equal Freedom" could well be renamed "The Law of Total Freedom."

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of minor significance. The latter could be interpreted to mean any sort of "right," including the "right to an equal income."

[13]". . . the opening affirmation includes what follows, since, if any one did infringe upon the freedom of another, all would not be equally free." Clara Dixon Davidson in *Liberty*, September 3, 1892, as quoted in Benjamin R. Tucker, *Instead of a Book* (New York: Benjamin R. Tucker, 1893), p. 137. Davidson's formulation has been completely neglected.

6. The Problem of Security

One of the most common ethical charges levelled at the free market is that it fails to provide "security." It is said that the blessings of freedom must be weighed against the competing blessings of security—to be provided, of course, by the State.

The first comment to make is that this world is a world of uncertainty. We shall never be able to forecast the future course of the world with precision. Every action, therefore, involves risk. This risk cannot be eliminated. The man who keeps cash balances suffers the risk that its purchasing power may dwindle; the man who invests suffers the risk of loss; and so forth.

Yet the free market finds ways of voluntarily relieving risk as much as can possibly be done. In a free society there are three prime ways that men can alleviate uncertainty about the future:

(1) *By savings.* These savings, whether invested in production or kept in cash balances, insure money for future needs. Investing in production increases one's future assets; cash balances insure that funds will be immediately available.

(2) *By entrepreneurship*. The entrepreneurs, i.e., the capitalist-entrepreneurs, assume the bulk of the risks of the market and concomitantly relieve laborers of a great deal of risk. Imagine the universal risk if laborers could not be paid until the final product reached the consumers! The pain of waiting for future income, the risk in attempting to forecast consumer demands in the future, would be almost intolerable, *especially* for those laborers toiling in the most remote processes of production. It is difficult to see how anyone would embark on longer processes of production if he were forced to wait the entire length of the production period to earn any income. But the capitalist-entrepreneur pays him, instead, immediately and himself adopts the burden of waiting and forecasting future wants. The entrepreneur then risks loss of his capital. Another method of entrepreneurial assumption of risk takes place in futures markets, where *hedging* allows buyers and sellers of commodities to shift the risk of future price changes onto a body of specialized traders.

(3) *By insurance.* Insurance is a basic method of pooling and abating risks on the market. While entrepreneurs assume the burdens of uncertainty, insurance takes care of *actuarial* risks, where stable collective frequencies can be arrived at and premiums can be charged accordingly.

The State cannot provide absolute security. The slaves may have believed that their security was guaranteed by their master. But the *master* assumed the risk; if his income fell, then he could not provide security for his charges.

A fourth way to provide security in a free society is by voluntary *charity*. This charity, of necessity, *comes out of production.* It has been maintained that the State can provide security for the people better than the market because it can guarantee a minimum income for everyone. Yet the government can do no such thing. The State *produces* nothing; it can only confiscate the production of others. The State, therefore, can guarantee nothing; if the requisite minimum is not produced, the State will have to default on its pledges. Of course, the State can print all the money it wants, but it cannot produce the needed goods. Furthermore, the State cannot, in this way, provide security for every man alike. It can make some secure only *at the expense of others*. If A can be made more secure only by robbing B, B is made *more insecure* in the process. Hence, the State, even if production is not drastically reduced, cannot provide security for all, but only for some at the expense of others.

Is there no way, then, that government—organized coercion—can provide security? Yes, but not in the absolute sense. Rather, it can provide a certain *aspect* of security, and only this aspect can be guaranteed to *every* man in the society. This is *security against aggression.* In fact, however, only a voluntary, free-market defense can provide this, since only such a non-Statist type of defense agency does not *itself* engage in aggression. With each man acquiring security of person and property against attack, productivity and leisure are both immeasurably increased. Any State attempt to provide such security is an anachronism, since the State itself constantly invades individual liberty and security.

That type of security, then, which is open to every man in society, is not only compatible with, but is a corollary to, perfect freedom. Freedom and security against aggression are two sides of the same coin.

It might still be objected that many people, even knowing that slavery or submission to dictation cannot bring absolute security, will still wish to rely on masters. But if they do so voluntarily, the libertarian asks, why must they force others, who do not choose to submit to masters, to join them?

7. *Alleged Joys of the Society of Status*

One common related criticism of the free market and free society (particularly among intellectuals who are conspicuously *not* craftsmen or peasants) is that, in contrast to the Happy Craftsmen and Happy Peasants of the Middle Ages, it has "alienated" man from his work and from his fellows and has robbed him of his "sense of belonging." The status society of the Middle Ages is looked back upon as a Golden Age, when everyone was sure of his station in life, when craftsmen made the whole shoe instead of just contributing to part of its production, and when these "whole" laborers were enmeshed in a sense of belonging with the rest of society.

In the first place, the society of the Middle Ages was *not* a secure one, not a fixed, unchanging hierarchy of status.[14] There was little *progress*, but there was much *change*. Dwelling as they did in clusters of local self-sufficiency, marked by a low standard of living, the people were ever threatened by famine. And

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[14]The present section is meant more as a logical critique of the theory of status than as a detailed account of society in the Middle Ages. For a critique of a recent expression of the Happy Peasant myth, *see* Charles E. Silberman, *The Myths of Automation* (New York: Harper & Row, 1967), pp. 98–107.

because of the relative absence of trade, a famine in one area could not be countered by purchasing food from another area. The absence of famine in capitalist society is *not* a providential coincidence. Secondly, because of the low living standards, very few members of the population were lucky enough to be born into the status of the Happy Craftsman, who could be really happy and secure in his work only if he were a craftsman to the King or the nobility (who, of course, earned *their* high status by the decidedly "unhappy" practice of permanent violence in domination over the mass of the exploited population). As for the common serf, one wonders whether, in his poverty-stricken, enslaved, and barren existence, he had even sufficient time and leisure to contemplate the supposed joys of his fixed post and his "sense of belonging." And if there were a serf or two who did *not* wish to "belong" to his lord or master, that "belonging," of course, was enforced by violence.

Aside from these considerations, there is another problem which the society of status cannot surmount, and which indeed contributed a great deal to breaking up the feudal and mercantilist structures of the precapitalistic era. This was population growth. If everyone is assigned his appointed and inherited role in life, how can an increased population be fitted into the scheme? Where are they to be assigned, and who is to do the assigning? And wherever they are allocated, how can these new people be prevented from disrupting the whole assigned network of custom and status? In short, it is precisely in the fixed, noncapitalistic society of status that the Malthusian problem is ever present, at its ugliest, and where Malthusian "checks" to population must come into play. Sometimes the check is the natural one of famine and plague; in other societies, systematic infanticide is practiced. Perhaps if there were a modern return to the society of status, compulsory birth control would be the rule (a not impossible prognosis for the future). But in precapitalist Europe, the population problem became a problem of an ever increasing number of people with no work to do and no place to go, who therefore had to turn to begging or highway robbery.

The proponents of the theory of modern "alienation" do not offer any reasoning to back up their assertions, which are therefore simply dogmatic myths. Certainly, it is not self-evident that the craftsman, or better still, the primitive man who made everything that he consumed, was in some sense happier or "more whole" as a result of this experience. Although this is not a treatise on psychology, it might be noted that perhaps what gives the worker his sense of importance is his participation in what Isabel Paterson has called the "circuit of production." In free-market capitalism he can, of course, participate in that circuit in many more and varied ways than he could in the more primitive status society.

Furthermore, the status society is a tragic waste of potential skill for the individual worker. There is, after all, no reason why the son of a carpenter should be particularly interested or skilled in carpentry. In the status society he faces only a dreary life of carpentry, regardless of his desires. In the free-market, capitalist society, though he is of course not guaranteed that he will be able to make a livelihood in any line of work that he wants to pursue, his opportunities to do work that he really likes are immeasurably, almost infinitely, expanded. As the division of labor expands, there are more and more varieties of skilled occupations that he can engage in, instead of having to be content with only the most primitive skills. And in the free society he is free to try these tasks, free to move into whatever area he likes best. He has no freedom and no opportunity in the allegedly joyful society of status. Just as free capitalism enormously expanded the amount and variety of consumers' goods and services available to mankind, so it vastly expanded the number and variety of jobs to be done and the skills that people can develop.

The hullabaloo about "alienation" is, in fact, more than a glorification of the medieval craftsman. He, after all, bought his food from the nearby land. It is actually an attack on the whole concept of the division of labor and an enshrining of primitive self-sufficiency. A return to such conditions could mean only the eradication of the bulk of today's population and complete impoverishment for those remaining. Why "happiness" would nonetheless increase, we leave to the mythologists of status.

But there is one final consideration which indicates that the vast majority of the people do not believe that they need primitive conditions and the slave's sense of belonging to make them happy. For there is nothing, in a free society, to prevent those who wish from going off in separate communities and living primitively and "belongingly." No one is forced to join the specialized division of labor. Not only has almost no one abandoned modern society to return to a happy, integrated life of fixed poverty, but those few intellectuals who did form communal Utopias of one sort or another during the nineteenth century abandoned these attempts very quickly. And perhaps the most conspicuous *non*withdrawers from society are those very critics who use our modern "alienated" mass communications to denounce modern society. As we indicated at the end of the last section, a free society permits any who wish to enslave themselves to others to do so. But if they have a psychological need for a slave's "sense of belonging," why must other individuals without such a need be coerced into enslavement?

8. Charity and Poverty

A common complaint is that the free market would not insure the elimination of poverty, that it would "leave people free to starve," and that it is far better to be "kindhearted" and give "charity" free rein by taxing the rest of the populace in order to subsidize the poor and the substandard.

In the first place, the "freedom-to-starve" argument confuses the "war against nature," which we all conduct, with the problem of freedom from interference by other persons. We are always "free to starve" unless we pursue our conquest of nature, for that is our natural condition. But "freedom" refers to absence of molestation by other persons; it is purely an interpersonal problem.

Secondly, it should also be clear that it is precisely voluntary exchange and free capitalism that have led to an enormous improvement in living standards. Capitalist production is the only method by which poverty can be wiped out. As we stressed above, *production must come first*, and only freedom allows people to produce in the best and most efficient way possible. Force and violence may "distribute," but it cannot produce. Intervention hampers production, and socialism cannot calculate. Since production of consumer satisfactions is maximized on the free market, the free market is the only way to abolish poverty. Dictates and legislation cannot do so; in fact, they can only make matters worse.

The appeal to "charity" is a truly ironic one. First, it is hardly "charity" to take wealth by force and hand it over to someone else. Indeed, this is the direct opposite of charity, which can only be an unbought, voluntary act of grace. Compulsory confiscation can only *deaden* charitable desires completely, as the wealthier grumble that there is no point in giving to charity when the State has already taken on the task. This is another illustration of the truth that men can become more moral only through rational persuasion, not through violence, which will, in fact, have the opposite effect.

Furthermore, since the State is always inefficient, the *amount* and *direction* of the giving will be much different from what it would be if people were left free to act on their own. If the State decides from whom to take and to whom to give, the power residing in the State's hands is enormous. It is obvious that *political* unfortunates will be the ones whose property is confiscated, and *political* favorites the ones subsidized. And in the meantime the State erects a bureaucracy whose living is acquired by feeding off the confiscation of one group and the encouraged mendicancy of another.

Other consequences follow from a regime of compulsory "charity." For one thing, "the poor"—or the "deserving" poor—have been exalted as a privileged caste, with an enforceable *claim* to the production of the more able. This is a far cry from a request for charity. Instead, the able are penalized and enslaved by the State, and the unable are placed on a moral pedestal. Certainly, this is a peculiar sort of moral program. The further consequence will be to discourage the able, to reduce production and saving in all of society, and beyond this, to subsidize the creation of a caste of poor. Not only will the poor be subsidized by *right*, but their ranks will be encouraged to multiply, both through reproduction and through their moral exaltation and subsidization. The able will be correspondingly hampered and repressed.[15]

Whereas the *opportunity* for voluntary charity acts as a spur to production by the able, coerced charity acts as a drain and a burden upon production. In fact, in the long run, the greatest "charity" is precisely not what we know by that name, but rather simple, "selfish" capital investment and the search for technological innovations. Poverty has been tamed by the enterprise and the capital investment of our ancestors, most of which was undoubtedly done for "selfish" motives. This is a fundamental illustration of the truth enunciated by Adam Smith that we generally help others most in those very activities in which we help ourselves.

Statists, in fact, are really *opposed* to charity. They often argue that charity is demeaning and degrading to the recipient, and that he should therefore be taught that the money is rightly his, to be given to him by the government as his due. But this oft-felt degradation stems, as Isabel Paterson pointed out, from the fact that the recipient of charity is not self-supporting on the market and that he is out of the production circuit and no longer providing a service in exchange for one

[15]See the readings referred to in footnote 3 of the preceding chapter.

received. However, granting him the moral and legal right to mulct his fellows *increases* his moral degradation instead of ending it, for the beneficiary is now further removed from the production line than ever. An act of charity, when given voluntarily, is generally considered temporary and offered with the object of helping a man to help himself. But when the dole is ladled out by the State, it becomes permanent and perpetually degrading, keeping the recipients in a state of subservience. We are not attempting to argue at this point that to be subservient in this way *is* degrading; we simply say that anyone who considers private charity degrading must logically conclude that State charity is far more so.[16] Mises, furthermore, points out that free-market exchange—always condemned by statists for being impersonal and "unfeeling"—is *precisely* the relation that avoids *all* degradation and subservience.[17]

9. The Charge of "Selfish Materialism"

One of the most common charges levelled against the free market (even by many of its friends) is that it reflects and encourages unbridled "selfish materialism." Even if the free

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[16]The devotion of government to charity may be gauged by *its universal repression of mendicancy*. A direct gift to a beggar helps the recipient directly and leaves no opportunity for large bureaucratic organizations to live full-time off the transaction. Harassment of direct aid, then, functions as a grant of monopolistic privilege to the "official" charity organizations. Isabel Paterson points out that the American government imposed a requirement of minimum cash assets for immigrants as an alleged way of *helping* the poorer immigrants! The actual effect, of course, was to keep the poorest immigrants, who could not meet the requirement, from American shores and economic opportunity.

[17]On various aspects of the problem of charity and poverty, *see* Paterson, "The Humanitarian with the Guillotine" in *God of the Machine*, pp. 233–50; Spencer, *Social Statics*, pp. 317–29; Mises, *Human Action*, pp. 831–36; F.A. Harper, "The Greatest Economic Charity" in Sennholz, ed., *On Freedom and Free Enterprise*, pp. 94 ff.; and Leonard E. Read, "Unearned Riches," *ibid.*, pp. 188–95.

market—unhampered capitalism—best furthers man's "material" ends, critics argue, it distracts man from higher ideals. It leads man away from spiritual or intellectual values and atrophies any spirit of altruism.

In the first place, there is no such thing as an "economic end." Economy is simply a *process* of applying means to whatever ends a person may adopt. An individual can aim at any ends he pleases, "selfish" or "altruistic." Other psychic factors being equal, it is to everyone's self-interest to maximize his monetary income on the market. But this maximum income can then be used for "selfish" or for "altruistic" ends. *Which* ends people pursue is of no concern to the praxeologist. A successful businessman can use his money to buy a yacht or to build a home for destitute orphans. The choice rests with him. But the point is that whichever goal he pursues, he must first earn the money before he can attain the goal.

Secondly, whichever moral philosophy we adopt—whether altruism or egoism—*we cannot criticize* the pursuit of monetary income on the market. If we hold an *egoistic* social ethic, then obviously we can only applaud the maximization of monetary income, or of a mixture of monetary and other psychic income, on the market. There is no problem here. However, even if we adopt an *altruistic* ethic, we must applaud maximization of monetary income just as fervently. For market earnings are a social index of one's services to others, at least in the sense that any services are exchangeable. The greater a man's income, the greater has been his service to others. Indeed, it should be far easier for the altruist to applaud the maximization of a man's *monetary* income than that of his *psychic* income when this is in conflict with the former goal. Thus, the consistent altruist must condemn the refusal of a man to work at a job paying high wages and his preference for a lower-paying job somewhere else. This man, whatever his reason, is defying the signalled wishes of the consumers, his fellows in society.

If, then, a coal miner shifts to a more pleasant, but lower-paying, job as a grocery clerk, the consistent altruist must castigate him for depriving his fellowman of needed benefits. For the consistent altruist must face the fact that *monetary* income on the market reflects services to others, whereas psychic income is a purely personal, or "selfish," gain.[18]

This analysis applies directly to the pursuit of *leisure*. Leisure, as we have seen, is a basic consumers' good for mankind. Yet the consistent altruist would have to deny each worker any leisure at all—or, at least, deny every hour of leisure beyond what is strictly necessary to maintain his output. For every hour spent in leisure reduces the time a man can spend serving his fellows.

The consistent advocates of "consumers' sovereignty" would have to favor enslaving the idler or the man who prefers following his own pursuits to serving the consumer. Rather than scorn pursuit of monetary gain, the consistent altruist should praise the pursuit of money on the market and condemn any conflicting nonmonetary goals a producer may have—whether it be dislike for certain work, enthusiasm for work that pays less, or a desire for leisure.[19] Altruists who criticize monetary aims on the market, therefore, are wrong *on their own terms.*

The charge of "materialism" is also fallacious. The market deals, not necessarily in "material" goods, but in *exchangeable goods.* It is true that all "material" goods are exchangeable (except for human beings themselves), but there are also many nonmaterial goods exchanged on the market. A man may spend his money on attending a concert or hiring a lawyer, for example, as well as on food or automobiles. There is absolutely no ground for saying that the market economy fosters either material or

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[18]W.H. Hutt actually goes this far in his article, "The Concept of Consumers' Sovereignty," *Economic Journal,* March, 1940, pp. 66–77.

[19]It is also peculiar that critics generally concentrate their fire on profits ("the profit motive"), and not on other market incomes such as wages. It is difficult to see any sense whatever in moral distinctions between these incomes.

immaterial goods; it simply leaves every man free to choose his own pattern of spending.

Finally, an advancing market economy satisfies more and more of people's desires for *exchangeable* goods. As a result, the marginal utility of exchangeable goods tends to decline over time, while the marginal utility of *nonexchangeable* goods increases. In short, the greater satisfaction of "exchangeable" values confers a much greater marginal significance on the "nonexchangeable" values. Rather than foster "material" values, then, advancing capitalism does just the opposite.

10. Back to the Jungle?

Many critics complain that the free market, in casting aside inefficient entrepreneurs or in other decisions, proves itself an "impersonal monster." The free-market economy, they charge, is "the rule of the jungle," where "survival of the fittest" is the law.[20] Libertarians who advocate a free market are therefore called "Social Darwinists" who wish to exterminate the weak for the benefit of the strong.

In the first place, these critics overlook the fact that the operation of the free market is vastly different from governmental action. When a government acts, individual critics are powerless to change the result. They can do so only if they can finally convince the rulers that their decision should be changed; this may take a long time or be totally impossible. On the free market, however, there is no final decision imposed by force; everyone is free to shape his own decisions and thereby significantly change the results of "the market." In short, whoever feels that the market has been too cruel to certain entrepreneurs or to any other income receivers is perfectly free to set up an aid fund for

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[20]Some years ago we were promised a "refutation" of the libertarian position—one which never appeared. It was to be entitled, "Back to the Jungle." *See* Ralph L. Roy, *Apostles of Discord* (Boston: Beacon Press, 1953), p. 407.

suitable gifts and grants. Those who criticize existing private charity as being "insufficient" are perfectly free to fill the gap themselves. We must beware of hypostatizing the "market" as a real entity, a maker of inexorable decisions. The market is the resultant of the decisions of all individuals in the society; people can spend their money in any way they please and can make any decisions whatever concerning their persons and their property. They do not have to battle against or convince some entity known as the "market" before they can put their decisions into effect.

The free market, in fact, is precisely the diametric opposite of the "jungle" society. The jungle is characterized by the war of all against all. One man gains only at the expense of another, by seizure of the latter's property. With all on a subsistence level, there is a true struggle for survival, with the stronger force crushing the weaker. In the free market, on the other hand, one man gains only through serving another, though he may also retire into self-sufficient production at a primitive level if he so desires. It is precisely through the peaceful co-operation of the market that all men gain through the development of the division of labor and capital investment. To apply the principle of the "survival of the fittest" to both the jungle and the market is to ignore the basic question: *Fitness for what*? The "fit" in the jungle are those most adept at the exercise of brute force. The "fit" on the market are those most adept in the service of society. The jungle is a brutish place where some seize from others and all live at the starvation level; the market is a peaceful and productive place where all serve themselves *and* others at the same time and live at infinitely higher levels of consumption. On the market, the charitable can provide aid, a luxury that cannot exist in the jungle.

The free market, therefore, transmutes the jungle's destructive competition for meagre subsistence into a peaceful *co-operative* competition in the service of one's self *and* others. In the jungle, some gain only at the expense of others. On the market, everyone gains. It is the market—the contractual society—that wrests order out of chaos, that subdues nature and *eradicates* the jungle, that permits the "weak" to live productively, or out of gifts from production, in a regal style compared to the life of the "strong" in the jungle. Furthermore, the market, by raising living standards, permits man the leisure to cultivate the very qualities of civilization that distinguish him from the brutes.

It is precisely *statism* that is bringing back the rule of the jungle—bringing back conflict, disharmony, caste struggle, conquest and the war of all against all, and general poverty. In place of the peaceful "struggle" of competition in mutual service, statism substitutes calculational chaos and the death-struggle of Social Darwinist competition for political privilege and for limited subsistence.

11. Power and Coercion

A. "Other Forms of Coercion": Economic Power

A very common criticism of the libertarian position runs as follows: Of course we do not like violence, and libertarians perform a useful service in stressing its dangers. But you are very *simpliste* because you ignore the other significant forms of coercion exercised in society—*private* coercive power, apart from the violence wielded by the State or the criminal. The government should stand ready to employ its coercion to check or offset this private coercion.

In the first place, this seeming difficulty for libertarian doctrine may quickly be removed by limiting the concept of coercion to the use of *violence*. This narrowing would have the further merit of strictly confining the legalized violence of the police and the judiciary to the sphere of its competence: combatting *violence*. But we can go even further, for we can show the inherent contradictions in the broader concept of coercion.

A well-known type of "private coercion" is the vague but ominous-sounding "economic power." A favorite illustration of the wielding of such "power" is the case of a worker fired from his job, especially by a large corporation. Is this not "as bad as" violent coercion against the property of the worker? Is this not another, subtler form of robbery of the worker, since he is being deprived of money that he would have received if the employer had not wielded his "economic power"?

Let us look at this situation closely. What exactly has the employer done? He has *refused to continue to make* a certain exchange, which the worker preferred to continue making. Specifically, A, the employer, refuses to *sell* a certain sum of money in exchange for the purchase of B's labor services. B would like to make a certain exchange; A would not. The same principle may apply to all the exchanges throughout the length and breadth of the economy. A worker exchanges labor for money with an employer; a retailer exchanges eggs for money with a customer; a patient exchanges money with a doctor for his services; and so forth. Under a regime of freedom, where no violence is permitted, every man has the power either to make or not to make exchanges as and with whom he sees fit. Then, when exchanges are made, both parties benefit. We have seen that if an exchange is *coerced*, at least one party loses. It is doubtful whether even a robber gains in the long run, for a society in which violence and tyranny are practiced on a large scale will so lower productivity and become so much infected with fear and hate that even the robbers may be unhappy when they compare their lot with what it might be if they engaged in production and exchange in the free market.

"Economic power," then, is simply the right under freedom to refuse to make an exchange. Every man has this power. Every man has the same right to refuse to make a proffered exchange.

Now, it should become evident that the "middle-of-the-road" statist, who concedes the evil of violence but adds that the violence of government is sometimes necessary to counteract the "private coercion of economic power," is caught in an impossible contradiction. A refuses to make an exchange with B. What are we to say, or what is the government to do, if B brandishes a gun and orders A to make the exchange? This is the crucial question. There are only two positions we may take on the matter: *either* that B is committing violence and should be stopped at once, *or* that B is perfectly justified in taking this step because he is simply "counteracting the subtle coercion" of economic power wielded by A. Either the defense agency must rush to the defense of A, or it deliberately refuses to do so, perhaps aiding B (or doing B's work for him). *There is no middle ground!*

B is committing violence; there is no question about that. In the terms of both doctrines, this violence is either invasive and therefore unjust, or defensive and therefore just. If we adopt the "economic-power" argument, we must choose the latter position; if we reject it, we must adopt the former. If we choose the "economic-power" concept, we must employ violence to combat any *refusal* of exchange; if we reject it, we employ violence to prevent any violent *imposition* of exchange. There is no way to escape this *either-or* choice. The "middle-of-the-road" statist cannot logically say that there are "many forms" of unjustified coercion. He must choose one or the other and take his stand accordingly. Either he must say that there is only one form of illegal coercion—overt physical violence—or he must say that there is only one form of illegal coercion—refusal to exchange.

We have already fully described the sort of society built on libertarian foundations—a society marked by peace, harmony, liberty, maximum utility for all, and progressive improvement in living standards. What would be the consequence of adopting the "economic-power" premise? It would be a society of slavery: for what else is prohibiting the refusal to work? It would also be a society where the overt initiators of violence would be treated with kindness, while their victims would be upbraided as being "really" responsible for their own plight. Such a society would be truly a war of all against all, a world in which conquest and exploitation would rage unchecked.

Let us analyze further the contrast between the power of violence and "economic power," between, in short, the victim of a bandit and the man who loses his job with the Ford Motor

Company. Let us symbolize, in each case, the alleged power-wielder as P and the supposed victim as X. In the case of the bandit or robber, P plunders X. P lives, in short, by battening off X and all the other X's. This is the meaning of power in its original, *political* sense. But what of "economic power"? Here, by contrast, X, the would-be employee, is asserting a strident claim to *P*'s property! In this case, X is plundering P instead of the other way around. Those who lament the plight of the automobile worker who cannot obtain a job with Ford do not seem to realize that before Ford and without Ford there would be no such job to be obtained at all. No one, therefore, can have any sort of "natural right" to a Ford job, whereas it *is* meaningful to assert a natural right to liberty, a right which each person may have without depending on the existence of others (such as Ford). In short, the libertarian doctrine, which proclaims a natural right of defense against *political* power, is coherent and meaningful, but any proclaimed right of defense against "economic power" makes no sense at all. Here, indeed, are enormous differences between the two concepts of "power."[21]

B. Power Over Nature and Power Over Man

It is quite common and even fashionable to discuss market phenomena in terms of "power"—that is, in terms appropriate only to the battlefield. We have seen the fallacy of the "back-to-the-jungle" criticism of the market and we have seen how the fallacious "economic-power" concept has been applied to the exchange economy. Political-power terminology, in fact, often dominates discussions of the market: peaceful businessmen are "economic royalists," "economic feudalists," or "robber barons." Business is called a "system of power," and firms are "private governments," and, if they are very large, even "empires." Less luridly, men have "bargaining power," and business firms engage

[21]On the spurious problems of "bargaining power," *see* Scoville and Sargent, *Fact and Fancy in the T.N.E.C. Monographs*, pp. 312–13; and W.H. Hutt, *Theory of Collective Bargaining* (Glencoe, Ill.: Free Press, 1954), Part I.

in "strategies" and "rivalry" as in military battles. Recently, theories of "games" and strategy have been erroneously applied to market activity, even to the absurd extent of comparing market exchange with a "zero-sum game"—an interrelation in which A's loss is precisely equal to B's gain.

This, of course, *is* the action of coercive power, of conquest and robbery. There, one man's gain *is* another man's loss; one man's victory, another's defeat. Only conflict can describe these social relations. But the opposite is true on the free market, where *everyone* is a "victor" and everyone gains from social relations. The language and concepts of political power are singularly *inappropriate* in the free-market society.

The fundamental confusion here is the failure to distinguish between two very different concepts: *power over nature* and *power over man*.

It is easy to see that an individual's *power* is his ability to control his environment in order to satisfy his wants. A man with an ax has the *power* to chop down a tree; a man with a factory has the power, along with other complementary factors, to produce capital goods. A man with a gun has the *power* to force an unarmed man to do his bidding, *provided* that the unarmed man chooses not to resist or not to accept death at gunpoint. It should be clear that there is a basic distinction between the two types of power. *Power over nature* is the sort of power on which civilization must be built; the record of man's history is the record of the advance or attempted advance of that power. *Power over men*, on the other hand, does *not* raise the general standard of living or promote the satisfactions of all, as does power over nature. By its very essence, only some men in society can wield power over men. Where power over man exists, some must be the powerful, and others must be objects of power. But *every* man can and does achieve power over nature.

In fact, if we look at the basic condition of man as he enters the world, it is obvious that the only way to preserve his life and advance himself is to conquer nature—to transform the face of the earth to satisfy his wants. From the point of view of all the members of the human race, it is obvious that only such a conquest is productive and life-sustaining. Power of one man over another cannot contribute to the advance of mankind; it can only bring about a society in which plunder has replaced production, hegemony has supplanted contract, violence and conflict have taken the place of the peaceful order and harmony of the market. Power of one man over another is *parasitic* rather than creative, for it means that the nature conquerors are subjected to the dictation of those who conquer their fellowman instead. Any society of force—whether ruled by criminal bands or by an organized State—fundamentally means the rule of the jungle, or economic chaos. Furthermore, it would be a jungle, a struggle in the sense of the Social Darwinists, in which the survivors would not really be the "fittest," for the "fitness" of the victors would consist solely in their ability to prey on producers. They would not be the ones best fitted for advancing the human species: these are the producers, the conquerors of *nature*.

The libertarian doctrine, then, advocates the maximization of man's *power over nature* and the eradication of the *power of man over man*. Statists, in elevating the latter power, often fail to realize that in their system man's power over nature would wither and become negligible.

Albert Jay Nock was aiming at this dichotomy when, in *Our Enemy the State*, he distinguished between *social power* and *State power*.[22] Those who properly balk at any terms that seem to anthropomorphize "society" were wary of accepting this terminology. But actually this distinction is a very important one. Nock's "social power" is society's—mankind's—conquest of nature: the power that has helped to produce the abundance that man has been able to wrest from the earth. His "State power" is *political power*—the use of the political means as against the "economic means" to wealth. State power is the power of man over man—the wielding of coercive violence by one group over another.

[22]Nock, *Our Enemy the State*.

Nock used these categories to analyze historical events in brilliant fashion. He saw the history of mankind as a race between *social power* and *State power.* Always man—led by the producers—has tried to advance the conquest of his natural environment. And always men—other men—have tried to extend *political power* in order to seize the fruits of this conquest over nature. History can then be interpreted as a race between social power and State power. In the more abundant periods, e.g., after the Industrial Revolution, social power takes a large spurt ahead of political power, which has not yet had a chance to catch up. The stagnant periods are those in which State power has at last come to extend its control over the newer areas of social power. State power and social power are antithetical, and the former subsists by draining the latter. Clearly, the concepts advanced here—"power over nature" and "power over man"—are generalizations and clarifications of Nock's categories.

One problem may appear puzzling: What is the nature of "purchasing power" on the market? Is this not power over man and yet "social" and on the free market? However, this contradiction is only apparent. Money has "purchasing power" only because other men are willing to accept it in exchange for goods, i.e., because they are eager to exchange. The power to exchange rests—on both sides of the exchange—on *production*, and this is precisely the conquest of *nature* that we have been discussing. In fact, it is the exchange process—the division of labor—that permits man's power over *nature* to extend beyond the primitive level. It was power over *nature* that the Ford Motor Company had developed in such abundance, and it was *this* power that the angry job seeker was threatening to seize—by political power—while complaining about Ford's "economic power."

In sum, political-power terminology should be applied only to those employing violence. The only "private governments" are those people and organizations aggressing against persons and property that are not part of the official State dominating certain territory. These "private States," or private governments, may either co-operate with the official State, as did the governments of the guilds in the Middle Ages, and as labor unions and cartelists do today, or they may compete with the official State and be designated as "criminals" or "bandits."

12. The Problem of Luck

A common criticism of free-market decisions is that "luck" plays too great a role in determining incomes. Even those who concede that income to a factor tends to equal its discounted marginal value product to consumers, and that entrepreneurs on the free market will reduce mistakes to an absolute minimum, add that luck still plays a role in income determination. After charging that the market confers undue laurels on the lucky, the critic goes on to call for expropriation of the "rich" (or lucky) and subsidization of the "poor" (or unlucky).

Yet how can luck be isolated and identified? It should be evident that it is impossible to do so. In every market action luck is interwoven inextricably and is impossible to isolate. Consequently, there is no justification for saying that the rich are luckier than the poor. It might very well be that many or most of the rich have been *unlucky* and are getting less than their true DMVP, while most of the poor have been *lucky* and are getting more. No one can say what the distribution of luck is; hence, there is no justification here for a "redistribution" policy.

In only one place on the market does *luck* purely and identifiably determine the result: *gambling* gains and losses.[23] But is this what the statist critics *really* want—confiscation of the gains of gambling winners in order to pay gambling losers? This would mean, of course, the speedy death of gambling—except as an illegal activity—for there would obviously be no point in continuing the games. Presumably, even the losers would object to being compensated, for they freely and voluntarily accepted

[23]Here we refer to *pure gambling*, or games of chance, such as roulette, with no intermingled elements of skill such as in race-track betting.

the rules of chance before beginning to gamble. The governmental policy of neutralizing luck destroys the satisfaction that *all* the participants derive from the game.[24]

13. The Traffic-Manager Analogy

Because of its popularity, we may briefly consider the "traffic-manager analogy"—the doctrine that the government must obviously regulate the economy, "just as traffic must be regulated." It is high time that this flagrant *non sequitur* be consigned to oblivion. Every owner necessarily regulates his own property. In the same way, every owner of a road will lay down the rules for the use of his road. Far from being an argument for statism, management is simply the attribute of *all* ownership. Those who own the roads will regulate their use. In the present day, the government owns most roads and so regulates them. In a purely free-market society, *private* owners would operate and control their own roads. Obviously, the "traffic-manager analogy" can furnish no argument against the purely free market.

14. Over- and Underdevelopment

Critics often level conflicting charges against the free market. The historicist-minded may concede that the free market is ideal for a certain stage of economic development, but insist that it is unsuited to other stages. Thus, advanced nations have been exhorted to embrace government planning because "the modern economy is too complex" to remain planless, "the frontier is gone," and "the economy is now mature." But, on the other hand, the backward countries have been told that *they* must adopt statist planning methods *because* of their relatively primitive state. So any given economy is *either* too advanced or

[24]It is curious that so many economists, including Alfred Marshall, have "proved" the "irrationality" of gambling (e.g., from the diminishing marginal utility of money) by first assuming, clearly erroneously, that the participants do not like to gamble!

too backward for *laissez faire*; and we may rest assured that the appointed moment for *laissez faire* somehow never arrives.

The currently fashionable "economics of growth" is an historicist regression. The laws of economics apply whatever the particular level of the economy. At any level, progressive change consists in a growing volume of capital per head of population and is furthered by the free market, low time preferences, farseeing entrepreneurs, and sufficient labor and natural resources. Regressive change is brought about by the opposite conditions. The terms *progressive* and *regressive* change are far better than "growth," a term expressing a misleading biological analogy that implies some actual law dictating that an economy must "grow" continually, and even at a fixed rate. Actually, of course, an economy can just as easily "grow" backward.

The term "underdeveloped" is also unfortunate, as it implies that there is some level or norm that the economy should have reached but failed to reach because some external force did not "develop" it. The old-fashioned term "backward," though still normative, at least pins the blame for the relative poverty of an economy on the nation's own policies.

The poor country can best progress by permitting private enterprise and investment to function and by allowing natives and foreigners to invest there unhampered and unmolested. As for the rich country and its "complexities," the delicate processes of the free market are precisely equipped to handle complex adjustments and interrelations far more efficiently than can any form of statist planning.

15. The State and the Nature of Man

Since the problem of the nature of man has been raised, we may now turn briefly to an argument that has pervaded Roman Catholic social philosophy, namely, that the State is part of the essential nature of man. This Thomistic view stems from Aristotle and Plato, who, in their quest for a rational ethic, leaped to the assumption that the State was the embodiment of the moral agency for mankind. That *man* should do such and such quickly became translated into the prescription: The State should do such and such. But nowhere is the nature of the State itself fundamentally examined.

Typical is a work very influential in Catholic circles, Heinrich Rommen's *The State in Catholic Thought*.[25] Following Aristotle, Rommen attempts to ground the State in the nature of man by pointing out that man is a social being. In proving that man's nature is best fitted for a society, he believes that he has gone far to provide a rationale for the State. But he has not done so in the slightest degree, once we fully realize that the State and society are by no means coextensive. The contention of libertarians that the State is an *antisocial* instrument must first be refuted before such a *non sequitur* can be allowed. Rommen recognizes that the State and society are distinct, but he still justifies the State by arguments that apply only to society.

He also asserts the importance of law, although the particular legal norms considered necessary are unfortunately not specified. Yet law and the State are not coextensive either, although this is a fallacy that very few writers avoid. Much Anglo-Saxon law grew out of the voluntarily adopted norms of the people themselves (common law, law merchant, etc.), not as State legislation.[26] Rommen also stresses the importance for society of the *predictability* of action, which can be assured only by the State. Yet the essence of human nature is that it cannot be considered as truly predictable; otherwise we should be dealing, not with free men, but with an ant heap. And if we *could* force men to march in unison according to a complete set of predictable norms, it is certainly not a foregone conclusion that we should all hail such an ideal. Some people would combat it bitterly. Finally, if the "enforceable norm" were limited to "abstinence from aggression against others," (1) a State is not

[25]Heinrich Rommen, *The State in Catholic Thought, a Treatise in Political Philosophy* (London, 1950).

[26]Thus, *see* Leoni, *Freedom and the Law*.

necessary for such enforcement, as we have noted above, and (2) the State's own inherent aggression itself violates that norm.[27]

16. Human Rights and Property Rights[28]

It is often asserted by critics of the free-market economy that *they* are interested in preserving "human rights" rather than property rights. This artificial dichotomy between human and property rights has often been refuted by libertarians, who have pointed out (*a*) that property rights of course accrue to *humans* and to humans alone, and (*b*) that the "human right" to life requires the right to keep what one has produced to sustain and advance life. In short, they have shown that property rights are indissolubly also human rights. They have, besides, pointed out that the "human right" of a free press would be only a mockery in a socialist country, where the State owns and decides upon the allocation of newsprint and other newspaper capital.[29]

There are other points that should be made, however. For not only are property rights also human rights, but in the most profound sense there *are* no rights but property rights. The *only* human rights, in short, are property rights. There are several senses in which this is true. In the first place, each individual, as a natural fact, is the owner of *himself*, the ruler of his own person. The "human" rights of the person that are defended in the purely free-market society are, in effect, each man's *property right* in his own being, and from *this* property right stems his right to the material goods that he has produced.

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[27]Rommen, *State in Catholic Thought*, p. 225.

[28]*See* Murray N. Rothbard, "Human Rights Are Property Rights" in *Essays on Liberty* (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1959), VI, 315–19. *See also* Rothbard, "Bertrand de Jouvenel e i diritti di proprietá," *Biblioteca della Liberta* (1966, No. 2), pp. 41–45.

[29]Paul L. Poirot, "Property Rights and Human Rights" in *Essays on Liberty* (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1954), II, 79–89.

In the second place, alleged "human rights" can be boiled down to property rights, although in many cases this fact is obscured. Take, for example, the "human right" of free speech. Freedom of speech is supposed to mean the right of everyone to say whatever he likes. But the neglected question is: Where? Where does a man have this right? He certainly does not have it on property on which he is trespassing. In short, he has this right only either on his *own* property or on the property of someone who has agreed, as a gift or in a rental contract, to allow him on the premises. In fact, then, there is no such thing as a separate "right to free speech"; there is only a man's *property* right: the right to do as he wills with his own or to make voluntary agreements with other property owners.

The concentration on vague and wholly "human" rights has not only obscured this fact but has led to the belief that there are, of necessity, all sorts of conflicts between individual rights and alleged "public policy" or the "public good." These conflicts have, in turn, led people to contend that no rights can be absolute, that they must all be relative and tentative. Take, for example, the human right of "freedom of assembly." Suppose that a citizens' group wishes to demonstrate for a certain measure. It uses a street for this purpose. The police, on the other hand, break up the meeting on the ground that it obstructs traffic. Now, the point is that there is no way of resolving this conflict, except arbitrarily, because the *government* owns the streets. Government ownership, as we have seen, inevitably breeds insoluble conflicts. For, on the one hand, the citizens' group can argue that they are taxpayers and are therefore entitled to use the streets for assembly, while, on the other hand, the police are right that traffic is obstructed. There is no rational way to resolve the conflict because there is as yet no true ownership of the valuable street-resource. In a purely free society, where the streets are privately owned, the question would be simple: it would be for the streetowner to decide, and it would be the concern of the citizens' group to try to rent the street space voluntarily from the owner. If all ownership were private, it would be quite clear that the citizens did not have any nebulous "right of assembly." Their right would be the *property* right of using their money in an effort to buy or rent space on which to make their demonstration, and they could do so only if the owner of the street agreed to the deal.

Let us consider, finally, the classic case that is supposed to demonstrate that individual rights can never be absolute but must be limited by "public policy": Justice Holmes' famous *dictum* that no man can have the right to cry "fire" in a crowded theater. This is supposed to show that freedom of speech cannot be absolute. But if we cease dealing with this alleged human right and seek for the *property* rights involved, the solution becomes clear, and we see that there is no need at all to weaken the absolute nature of rights. For the person who falsely cries "fire" must be either the *owner* (or the owner's agent) *or* a guest or paying patron. If he is the owner, then he has committed fraud upon his customers. He has taken their money in exchange for a promise to put on a motion picture, and now, instead, he disrupts the performance by falsely shouting "fire" and creating a disturbance among the patrons. He has thus willfully defaulted on his contractual obligation and has therefore violated the *property rights* of his patrons.

Suppose, on the other hand, that the shouter is not the owner, but a patron. In that case, he is obviously violating the property right of the theater owner (as well as the other patrons). As a guest, he is on the property on certain terms, and he has the obligation of not violating the owner's property rights by disrupting the performance that the owner is putting on for the patrons. The person who maliciously cries "fire" in a crowded theater, therefore, is a criminal, *not* because his so-called "right of free speech" must be pragmatically restricted on behalf of the so-called "public good," but because he has clearly and obviously violated the property rights of another human being. There is no need, therefore, of placing limits upon these rights.

Since this is a praxeological and not an ethical treatise, the aim of this discussion has *not* been to convince the reader that property rights should be upheld. Rather, we have attempted to show that the person who *does* wish to construct his political theory on the basis of "rights" must not only discard the spurious distinction between human rights and property rights, but also realize that the former must all be absorbed into the latter.

Appendix
Professor Oliver on Socioeconomic Goals

Some years ago, Professor Henry M. Oliver published an important study: a logical analysis of ethical goals in economic affairs.[30] Professor Kenneth J. Arrow has hailed the work as a pioneer achievement on the road to the "axiomatization of a social ethics." Unfortunately, this attempted "axiomatization" is a tissue of logical fallacies.[31]

It is remarkable what difficulty economists and political philosophers have had in trying to bury *laissez faire*. For well over a half century, *laissez-faire* thought, both in its Natural-Rights and its utilitarian versions, has been extremely rare in the Western world. And yet, despite the continued proclamation that *laissez faire* has been completely "discredited," uneasiness has marked the one-sided debate. And so, from time to time, writers have felt obliged to lay the ghost of *laissez faire*. The absence of opposition has created a series of faintly worried monologues

[30]Henry M. Oliver, Jr., *A Critique of Socioeconomic Goals* (Bloomington: Indiana University Press, 1954).

[31]Kenneth J. Arrow, "Review of Oliver's *A Critique of Socioeconomic Goals*," *Political Science Quarterly*, September, 1955, p. 442. Arrow is correct, however, when he says, "It is only when the socio-economic goals have been made clear that we can speak intelligently about the best policies for their achievement." Such clarification has been attempted in the present chapter.

rather than a lively two-sided argument. Nevertheless the attacks continue, and now Professor Oliver has gone to the extent of writing a book almost wholly devoted to an attempted refutation of *laissez-faire* thought.

A. The Attack on Natural Liberty

Oliver begins by turning his guns on the natural-rights defense of *laissez faire*—on the system of natural liberty.[32] He is worried because Americans still seem to cling to this doctrine in underlying theory, if not in actual practice. First, he sets forth various versions of the libertarian position, including the "extreme" version, "A man has a right to do what he will with his own," as well as Spencer's Law of Equal Freedom and the "semi-utilitarian" position that "a man is free to do as he pleases as long as he does not harm someone." The "semiutilitarian" position is easiest to attack, and Oliver has no difficulty in showing its vagueness. "Harm" can be interpreted to cover practically all actions, e.g., a hater of the color red can argue that someone else inflicts "aesthetic harm" upon him by wearing a red coat.

Characteristically, Oliver has least patience with the "extreme" version, which, he contends, is "not meant to be interpreted literally," not a seriously reasoned statement, etc. This enables him to shift quickly to attacks on the modified and weaker versions of libertarianism. Yet it *is* a serious statement and must be coped with seriously, especially if "A" is replaced by "Every" in the sentence. Too often political debate has been short-circuited by someone's blithe comment that "you can't really be serious!" We have seen above that Spencer's Law of Equal Freedom is really a redundant version of the "extreme" statement and that the first part implies the proviso clause. The "extreme" statement permits a more clear-cut presentation, avoiding many of the interpretative pitfalls of the watered-down version.

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[32] Oliver, *Critique of Socioeconomic Goals*, pp. 1–12.

Let us now turn to Oliver's general criticisms of the libertarian position. Conceding that it has "great superficial attractiveness," Oliver levels a series of criticisms that are supposed to demonstrate its illogic:

(1) Any demarcation of property "restricts liberty," i.e., the liberty of others to use these resources. This criticism misuses the term "liberty." Obviously, any property right infringes on others' "freedom to steal." But we do not even need property rights to establish this "limitation"; the existence of another *person*, under a regime of liberty, restricts the "liberty" of others to assault him. Yet, by definition, liberty *cannot* be restricted thereby, because liberty is defined as freedom to control *what one owns* without molestation by others. "Freedom to steal or assault" would permit someone—the victim of stealth or assault—to be forcibly or fraudulently deprived of his person or property and would therefore violate the clause of total liberty: that *every* man be free to do what he wills with his own. Doing what one wills with *someone else's* own impairs the other person's liberty.

(2) A more important criticism in Oliver's eyes is that natural rights connote a concept of property as consisting in "things" and that such a concept eliminates property in intangible "rights." Oliver holds that if property is defined as a bundle of things, then all property in rights, such as stocks and bonds, would have to be eliminated; whereas if property is defined as "rights," insoluble problems arise of defining rights apart from current legal custom. Furthermore, property in "rights" divorced from "things" allows *non-laissez-faire* rights to crop up, such as "rights in jobs," etc. This is Oliver's primary criticism.

This point is a completely fallacious one. Although property is certainly a bundle of physical things, there is *no dichotomy* between things and rights; in fact, "rights" are simply rights *to* things. A share in an oil company is not an intangible floating "right"; it is a certificate of aliquot ownership in the physical property of the oil company. Similarly, a bond is directly a claim to ownership of a certain amount of money and, in the final analysis, is an aliquot ownership in the company's physical property. "Rights" (except for grants of monopolistic privilege, which would be eliminated in the free society) are simply divisible reflections of physical property.

(3) Oliver tries to demonstrate that the libertarian position, however phrased, does not necessarily lead to *laissez faire*. As we have indicated, he does this by skipping quickly over the "extreme" position and concentrating his attack on the unquestionable weaknesses of some of the more qualified formulations. The "harm" clause of the semiutilitarians is justly criticized. Spencer's Law of Equal Freedom is attacked for its proviso clause and for the alleged vagueness of the phrase "infringes on the equal freedom of others." Actually, as we have seen, this proviso is unnecessary and could well be eliminated. Even so, Oliver does considerably less than justice to the Spencerian position. He sets up alternative straw-man definitions of "infringement" and shows that none of these alternatives leads to strict *laissez faire*. A more thorough search would easily have yielded Oliver the proper definition. Of the five alternative definitions he offers, the first simply defines infringement as "violation of the customary legal code"—a question-begging definition that no rational libertarian would employ. Basing his argument necessarily on principle, the libertarian must fashion his standard by means of reason and cannot simply adopt existing legal custom.

Oliver's fourth and fifth definitions—"exercise of control in any form over another person's satisfaction or deeds"—are so vague and so question-begging in the use of the word "control" that no libertarian would ever use them. This leaves the second and third definitions of "infringement," in which Oliver manages to skirt any reasonable solution to the problem. The former defines "infringement" as "direct physical interference with another man's control of his person and owned things"; and the latter, as "direct physical interference plus interference in the form of threat of injury." But the former apparently excludes fraud, while the latter not only excludes fraud, but also *includes* threats to compete with someone else, etc. Since neither definition implies a *laissez-faire* system, Oliver quickly gives up the task and concludes that the term "infringement" is hopelessly vague and cannot be used to deduce the *laissez-faire* concept of freedom, and therefore that *laissez faire* needs a special, additional ethical assumption aside from the basic libertarian postulate.

Yet a proper definition of "infringement" *can* be found in order to arrive at a *laissez-faire* conclusion. The vague, question-begging term "injury" must not be used. Instead, infringement can be defined as "direct physical interference with another man's person or property, or the threat of such physical interference." Contrary to Oliver's assumption, fraud *is* included in the category of "direct physical interference," for such interference means not only the direct use of armed violence, but also such acts as trespass and burglary without use of a weapon. In both cases, "violence" has been done to someone else's property by physically molesting it. Fraud is implicit theft, because fraud entails the physical appropriation of someone else's property under false pretenses, i.e., in exchange for something that is never delivered. In both cases, someone's property is taken from him without his consent.

Where there's a will there's a way, and thus we see that it is quite easy to define the Spencerian formula clearly enough so that *laissez faire* and only *laissez faire* follows from it. The important point to remember is never to use such vague expressions as "injury," "harm," or "control," but specific terms, such as "physical interference" or "threats of physical violence."

B. The Attack on Freedom of Contract

After disposing to his own satisfaction of the basic natural-rights postulates, Oliver goes on to attack a specific class of these rights: freedom of contract.[33] Oliver delineates three possible freedom-of-contract clauses: (1) "A man has a right to freedom

[33]Oliver, *Critique of Socioeconomic Goals*, pp. 12–19.

of contract"; (2) "A man has a right to freedom of contract unless the terms of the contract harm someone"; and (3) "A man has a right to freedom of contract unless the terms of the contract infringe upon someone's rights." The second clause can be disposed of immediately; once again, the vague notion of "harm" can provide an excuse for unlimited State intervention, as Oliver quickly notes. No libertarian would adopt such a phrasing. The first formulation is, of course, the most uncompromising and leaves no room whatever for State intervention. Here Oliver again scoffs and says that "very few persons would push the freedom-of-contract doctrine so far." Perhaps, but since when is truth established by majority vote? In fact, the third clause, with its Spencerian proviso, is again unnecessary. Suppose, for example, that A and B freely contract to shoot C. The third version may say that this is an illegal contract. But, actually, it should not be! For the contract *itself* does not and cannot violate C's rights. It is only a possible subsequent action against C that will violate his rights. But, in that case, it is that action which must be declared illegal and punished, not the preceding contract. The first clause, which provides for absolute freedom of contract, is the clearest and evidently the preferable formulation.[34]

Oliver sees the principle of freedom of contract, because of the necessity that there be mutual agreement between two people, open to even stronger objection than the basic natural-rights postulate. For how, asks Oliver, can we distinguish between a free and voluntary contract, on the one hand, and "fraud" and "coercion"—which void contracts—on the other?

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[34]In objection to this clause, Oliver states that "Anglo-American law traditionally has voided certain types of contract because of the belief that they are against the public interest." *Ibid*., p. 13. It is precisely for this reason that libertarians suggest *changing* traditional Anglo-American law to conform to their precepts. Furthermore, "public interest" is a meaningless term (an example of the fallacy of conceptual realism) and is therefore discarded by libertarians.

First, how can fraud be clearly defined? Oliver's critique here is in two parts:

(1) He says that "common law holds that certain types of omissions as well as certain types of false statements and misleading sections void contracts. Where is this rule of omission to stop?" Oliver sees, quite correctly, that if no omission at all were allowed, the degree of statism would be enormous. Yet this problem is solved very simply: *change* the common law so as to eliminate all rules of omission whatever! It is curious that Oliver is so reluctant even to consider changes in ancient legal customs where these changes seem called for by principle, or to realize that libertarians would advocate such changes. Since libertarians advocate sweeping changes elsewhere in the political structure, there is no reason why they should balk at changing a few clauses of the common law.

(2) He states that even rules against false statements seem statist to some people and could be pushed beyond their present limits, and he cites SEC regulations as an example. Yet the whole problem is that a libertarian system could countenance no *administrative* boards or regulations whatever. No advance regulations could be handed down. On the purely free market, anyone damaged by false statements would take his opponent to court and win redress there. But any false statements, any fraud, would then be punished by the court severely, in the same manner as theft.

Secondly, Oliver wants to know how "coercion" can be defined. Here, the reader is referred to the section on "Other Forms of Coercion" above. Oliver is confused in contradictorily jumbling the definitions of coercion as physical violence *and* as refusal to exchange. As we have seen, coercion can rationally be defined only as one or the other; not as both, for then the definition is self-contradictory. Further, he confuses physical interpersonal violence with the scarcity imposed by the facts of nature—lumping them both together as "coercion." He concludes in the hopelessly muddled assertion that the freedom-of-contract theory assumes a meaningless "equality of coercion" among contracting parties. In fact, libertarians assert that there is no coercion at all in the free market. The equality-of-coercion absurdity permits Oliver to state that *true* freedom of contract at least requires State-enforced "pure competition."

The freedom-of-contract argument, therefore, implies *laissez faire* and is also strictly derivable from the postulate of freedom. Contrary to Oliver, no other ethical postulates are necessary to imply *laissez faire* from this argument. The coercion problem is completely solved when "violence" is substituted for the rather misleading term "coercion." Then, any contract is free and therefore valid when there has been an absence of violence or threat of violence by either party.

Oliver makes a few other attacks on "legal liberty"; e.g., he raises the old slogan that "legal liberty does not correspond to 'actual' liberty (or effective opportunity)"—once again falling into the age-old confusion of freedom with power or abundance. In one of his most provocative statements, he asserts that "all men could enjoy complete legal liberty only under a system of anarchy" (p. 21). It is rare for someone to identify a system *under law* as being "anarchy." If this be anarchism, then many libertarians will embrace the term!

C. The Attack on Income According to Earnings

On the free market every man obtains money income insofar as he can sell his goods or services for money. Everyone's income will vary in accordance with freely chosen market valuations of his productivity in fulfilling consumer desires. In his comprehensive attack on *laissez faire*, Professor Oliver, in addition to criticizing the doctrines of natural liberty and freedom of contract, also condemns this principle, or what he calls the "earned-income doctrine."[35]

Oliver contends that since workers must use capital and land, the right to property cannot rest on what human labor

[35]Oliver, *Critique of Socioeconomic Goals*, pp. 26–57.

creates. But both capital goods and land are ultimately reducible to labor (and time): capital goods were all built by the original factors, land and labor; and land had to be found by human labor and brought into production by labor. Therefore, not only *current* labor, but also "stored-up" labor (or rather, stored-up labor-and-time), earn money in current production, and so there is as much reason why the owners of these resources should obtain money now as there is that current laborers earn money now. The right of *past* labor to earn is established by the right of bequest, which stems immediately from the right of property. The right of inheritance rests not so much on the right of later generations to *receive* as on the right of earlier generations to *bestow*.

With these general considerations in mind, we may turn to some of Oliver's detailed criticisms. First, he states the basic "earned-income" principle incorrectly, and this is a standing source of confusion. He phrases it thus: "A man acquires a right to income which he himself creates." Incorrect. He acquires the right, not to "income," but to the *property* that he himself creates. The importance of this distinction will become clear presently. A man has the right to his own *product*, to the product of his energy, which immediately becomes his property. He derives his money *income* by exchanging this property, this product of his or his ancestors' energy, for money. His goods or services are freely exchanged on the market for money. His income is therefore completely determined by the monetary valuation that the market places on his goods or services.

Much of Oliver's subsequent criticism stems from ignoring the fact that all complementary resources are founded on the labor of individuals. He also decries the idea that "if a man makes something, it is his" as "very simple." Simple it may be, but that should not be a pejorative term in science. On the contrary, the principle of Occam's Razor tells us that the simpler a truth is, the better. The criterion of a statement, therefore, is its *truth*, and simplicity is, *ceteris paribus*, a virtue. The point is that when a man makes something, it belongs either to him or to someone else. To whom, then, shall it belong: to the producer, or to someone who has stolen it from the producer? Perhaps this is a simple choice, but a necessary one nevertheless.

Yet how can we tell when a person has "made" something or not? Oliver worries considerably about this question and criticizes the marginal productivity theory at length. Aside from the fallacies of his objections, the marginal productivity theory is not at all necessary (although it is helpful) to this ethical discussion. For the criterion to be used in determining who has made the product on the market and who should therefore earn the money, is really very simple. The criterion is: *Who owns the product?* A spends his labor energy working in a factory; this contribution of labor energy to further production is bought and paid for by factory owner, B. A owns labor energy, which is hired by B. In this case, the product made by A is *his energy*, and its use is paid for, or hired, by B. B hires various factors to work on his capital, and the capital is finally transformed into another product and sold to C. The product belongs to B, and B exchanges it for money. The money that B obtains, over and above the amount that he had to pay for other factors of production, represents B's contribution to the product. The amount that his capital received goes to B, its owner, etc.

Oliver also believes it a criticism when he states that men do not really "make goods" but add value to them by applying labor. But no one denies this. Man does not create matter, just as he does not create land. Rather, he takes this natural matter and transforms it in a series of processes to arrive at more useful goods. He hopes to add value by transforming matter. To say this is to *strengthen* rather than weaken the *earnings theory*, since it should be clear that how much value is added in producing goods for exchange can be determined only by the purchases of customers, ultimately the consumers. Oliver betrays his confusion by asserting that the earning theory assumes that "the values which we receive in exchange are equal in worth to those which we create in the production process." Certainly not! There *are no* actual values created in the production process;

these "values" take on meaning only from the values we receive in exchange. We cannot "compare received and created values" because created property *becomes* valuable only to the extent that it is purchased in exchange. Here we see some of the fruits of Oliver's fundamental confusion between "creating income" and "creating a product." People do not create income; they create a *product*, which they *hope* can be exchanged for income by being useful to consumers.

Oliver compounds his confusion by next taking up the *laissez-faire* theorem that everyone has the right to his own value scale and to act on that value scale. Instead of stating this principle in these terms, Oliver introduces confusion by calling it "placing values on an equal footing" for each man. Consequently, he can then criticize this approach by asking how people's values can have an "equal footing" when one person's purchasing power is more than another's, etc. The reader will have no difficulty in seeing the confusion here between equality of liberty and equality of abundance.

Another of Oliver's critical objections to the earned-income theory is that it assumes that "all values are gained through purchase and sale, that all goods are those of the market place." This is nonsense, and no responsible economist ever assumed it. In fact, no one denies that there are nonmarketable, nonexchangeable goods (such as friendship, love, and religion) and that many men value these goods very highly. They must constantly choose how to allocate their resources between exchangeable and nonexchangeable goods. This causes not the slightest difficulty for the free market or for the "earned-income" doctrine. In fact, a man earns money *in exchange* for his exchangeable goods. What could be more reasonable? A man acquires his income by selling exchangeable goods at market; so naturally the money he acquires will be determined by the buyers' evaluations of these goods. How, indeed, can he ever acquire exchangeable goods in return for his pursuit (or offer?) of nonexchangeables? And why should he? Why and how will others be forced to pay money for nothing in return? And how will the government determine who has produced what nonexchangeable goods and what the reward or penalty shall be? When Oliver states that market earnings are unsatisfactory because they do not cover nonmarket production as well, he fails to indicate why nonmarketable goods should enter the picture at all. Why should not marketable goods *pay for* marketable goods? Oliver's statement that "nonmarket receipts" are hardly distributed so as to "solve the nonmarket part of the problem" makes little sense. What in the world are "nonmarket receipts"? And if they are not inner satisfaction from inner pursuits by the individual, what in the world are they? If Oliver suggests taking money from A to pay B, then he is suggesting the seizure of a *marketable* good, and the receipts are then quite marketable. But if he is not suggesting this, then his remarks are quite irrelevant, and he can say nothing against the earned-income principle.

Also, it should not be overlooked that all those on the market who wish to reward nonmarketable contributions with money are free to do so. In fact, in the free society such rewards will be effected to the maximum degree freely desired in it.

We have seen that the marginal productivity theory is not necessary to an ethical solution. A man's property is his product, and this will be sold at its estimated worth to consumers on the market. The market solves the problem of estimating worth, and better than any coercive agency or economist could. If Oliver disagrees with market verdicts on the marginal value productivity of any factor, he is hereby invited to become an entrepreneur and to earn the profits that come from exposing such maladjustments. Oliver's problems are pseudo-problems. Thus, he asks, "When White's cotton is exchanged for Brown's wheat, what is the ethically correct ratio of exchange?" Simple, answers the free-market doctrine: *Whatever the two freely decide.* "When Jones and Smith together produce a good, what part of that good is attributable to Jones' actions and what part to Smith's?" The answer: Whatever they have mutually contracted.

Oliver gives several fallacious reasons for rejecting the marginal productivity theory. One is that income imputation does not imply income creation, because a laborer's marginal product can be altered merely by a change in the quantity or quality of a complementary factor, or by a variation in the number of competing laborers. Once again, Oliver's confusion stems from talking about "income creation" instead of "product creation." The laborer creates his labor service. This is his property, his to sell at whatever market he wishes, or not to sell if he so desires. The appraised worth of this service depends on his marginal value product, which, of course, depends partly on competition and the number or quality of complementary factors. This, in fact, does not confound, but rather is an integral part of, marginal productivity theory. If the supply of co-operating capital increases, a laborer's energy service becomes scarcer in relation to the complementary factors (land, capital), and his marginal value product and income increase. Similarly, if there are more competing laborers, there may be a tendency for a laborer's DMVP to decline, although it may increase because of the wider extent of the market. It is beside the point to say that all this is "not fair" because his service output remains the same. The point is that to the consumers his worth in production varies in accordance with these other factors, and he is paid accordingly.

Oliver also employs the popular but completely fallacious doctrine that any ethical sense to the marginal productivity theory must rely on the existence of "pure competition." But why should the "marginal value product" of a freely competitive economy be any less ethical than the "value of the marginal product" of the Never-Never Land of pure competition? Oliver adopts Joan Robinson's doctrine that entrepreneurs "exploit" the factors and reap a special exploitation gain. But on the contrary, as Professor Chamberlin has conceded, *no one* reaps any "exploitation" in the world of free competition.[36]

[36]Edward H. Chamberlin, *The Theory of Monopolistic Competition*, 7th ed. (Cambridge: Harvard University Press, 1956), pp. 182 ff. "Pure"

Oliver makes several other interesting criticisms:

(1) He maintains that marginal productivity cannot apply *within* corporations because no market for a firm's capital exists after the initial establishment of the company. Hence, the directors can rule the stockholders. In rebuttal, we may ask how the directors can *remain* directors without representing the wishes of the majority of stockholders. The capital market *is* continuing because capital values are constantly shifting on the stock market. A sharp decline in stock values means grave losses for the owners of the company. Furthermore, it means that there will be no further capital expansion in that firm and that its capital may not even be maintained intact.

(2) He maintains that the marginal productivity theory cannot account for the "lumpy," "fixed" contribution to all incomes of the services supplied by the State. In the first place, marginal productivity theory does not at all, in its proper form, assume (as Oliver believes) that factors are infinitely divisible. Any "lumps" can be taken care of. The problem of the State, therefore, has really nothing to do with lumpy factors. Indeed, all factors are more or less "lumpy." Furthermore, Oliver concedes that the services of the State are divisible. In one of his rare flashes of insight, Oliver admits that there can be (and are!) "varying degrees of police, military, and monetary (e.g., mint) services." But if that is the case, how do State services differ from any other?

The difference is indeed great, but it stems from a fact we have reiterated many times: that the State is a compulsory monopoly in which payment is separated from receipt of service. As long as this condition exists, there can indeed be no market "measure" of its marginal productivity. But how can this be an argument *against* the free market? Indeed, it is precisely the

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competition is an unrealistic—and undesirable—model admired by many economists, in which all firms are so tiny that no one has any impact on its market. *See*, *Man, Economy, and State*, chapter 10.

free market that would correct this condition. Oliver's criticism here is not of the free market, but of the statist sphere of a mixed statist-market economy.

Oliver's attribution of income creation to "organized society" is very vague. If by this he means "society," he is using a meaningless phrase. It is precisely the process of the market by which the array of free individuals (constituting "society") portions out income in accordance with productivity. It is double- counting to postulate a real entity "society" outside the array of individuals, and possessing or not possessing "its" own deserved share. If by "organized society" he means the *State*, then the State's "contributions" were compulsory and hence hardly "deserved" any pay. Furthermore, since, as we have shown, total taxation is far greater than any alleged productive contribution of the State, the rulers owe the rest of society money rather than *vice versa*.

(3) Oliver makes the curious assertion (also made repeatedly by Frank Knight) that a man does not really deserve ethically to reap the earnings from his own unique ability. I must confess that I cannot make any sense of this position. What is more inherent in an individual, more uniquely *his own*, than his inherited ability? If he is not to reap the reward from this, conjoined with his own willed effort, what *should* he reap a reward from? And why, then, should *someone else* reap a reward from *his* unique ability? Why, in short, should the able be consistently penalized, and the unable consistently subsidized? Oliver's attribution of such ability to some mystical "First Cause" will make sense only when someone is able to find the "first cause" and pay it *its* deserved share. Until then, any attempt to "redistribute" income from A to B would have to imply that *B* is the first cause.

(4) Oliver confuses private, voluntary charity and grants-in-aid with compulsory "charity" or grants. Thus, he misdefines the earned-income, free-market doctrine as saying that "a person should support himself and his legitimate dependents, without asking for special favors or calling upon outside parties for aid." While many individualists would accept this formulation,

the true free-market doctrine is that no person may *coerce* others into giving him aid. It makes all the difference in the world whether the aid is given voluntarily or is stolen by force.

As a corollary, Oliver confuses the meaning of "power" and asserts that employers have power over employees and therefore should be responsible for the latter's welfare. Oliver is quite right when he says that the slave-master was responsible for his slave's subsistence, but he doesn't seem to realize that only the reestablishment of slavery would fit his program for labor relations.

To say that the feeble-minded or orphans are "wards," as Oliver does, leads to his confusion between "wards of society" and "wards of the State." The two are completely different, because the two institutions are not the same. The concept of "ward of society" reflects the libertarian principle that private individuals and voluntary groups may offer to care for those who desire such care. "Wards of the State," on the contrary, are those (*a*) to whose care everyone is compelled by violence to contribute, and (*b*) who are subject to State dictation whether they like it or not.

Oliver's conclusion that "Every normal adult should have a fair chance to support himself, and, in the absence of this opportunity, he should be supported by the State" is a melange of logical fallacies. What is a "fair chance," and how can it be defined? Further, in contrast to Spencer's Law of Equal Freedom (or to our suggested Law of Total Freedom), "every" cannot here be fulfilled, since there is no such real entity as the "State." Anyone supported by the "State" must, *ipso facto*, be supported *by someone else* in the society. Therefore, not everyone can be supported—especially, of course, if we define "fair chance" as the absence of interference or coercive penalizing of a person's ability.

(5) Oliver realizes that some earned-income theorists combine their doctrines with a "finders, keepers" theory. But he can find no underlying principle here and calls it merely an accepted rule of the business game. Yet "finders, keepers" is not only

based on principle; it is just as much a corollary of the underlying postulates of a regime of liberty as is the earned-income theory. For an unowned resource should, according to basic property rights doctrine, become owned by whoever, through his efforts, brings this resource into productive use. This is the "finders, keepers" or "first-user, first-owner" principle. It is the only theory consistent with the abolition of theft (including government ownership), so that every useful resource is always *owned* by some nonthief.[37]

[37]Oliver often cites in his support the essay of Frank H. Knight, "Freedom as Fact and Criterion" in *Freedom and Reform* (New York: Harper & Bros., 1947), pp. 2–3. There is no need to elaborate further on Knight's essay, except to note his attack on Spencer for adopting *both* "psychological hedonism" and "ethical hedonism." Without analyzing Spencer in detail, we can, by a proper interpretation, make very good sense of combining both positions. First, it is necessary to change "hedonism"—the pursuit of "pleasure"—to *eudaemonism*—the pursuit of *happiness*. Second, "psychological eudaemonism," the view that "every individual universally and necessarily seeks his own maximum happiness," follows from the praxeological axiom of human action. From the *fact* of purpose, this truth follows, but only when "*happiness*" is interpreted in a formal, categorial, and *ex ante* sense, i.e., "happiness" here means whatever the individual chooses to rank highest on his value scale.

Ethical eudaemonism—that an individual *should* seek his maximum happiness—can also be held by the same theorist, when happiness is here interpreted in a *substantive* and *ex post* sense, i.e., that each individual should pursue that course which will, as a *consequence*, make him happier. To illustrate, a man may be an alcoholic. The eudaemonist may make these two pronouncements: (1) A is pursuing that course which he most prefers ("psychological eudaemonism"); and (2) A is injuring his happiness, this judgment being based on "happiness rules" derived from the study of the nature of man, and therefore *should* reduce his alcohol intake to the point that his happiness is no longer impaired ("ethical eudaemonism"). The two are perfectly compatible positions.

7

Conclusion: Economics and Public Policy

1. Economics: Its Nature and Its Uses

Economics provides us with true laws, of the type if A, then B, then C, etc. Some of these laws are true all the time, i.e., A always holds (the law of diminishing marginal utility, time preference, etc.). Others require A to be established as true before the consequents can be affirmed in practice. The person who identifies economic laws in practice and uses them to explain complex economic fact is, then, acting as an economic *historian* rather than as an economic theorist. He is an historian when he seeks the casual explanation of past facts; he is a *forecaster* when he attempts to predict future facts. In either case, he uses absolutely true laws, but must determine when any particular law applies to a given situation.[1] Furthermore, the laws are necessarily *qualitative* rather than quantitative, and hence, when the forecaster attempts to make quantitative predictions, he is going beyond the knowledge provided by economic science.[2]

It has not often been realized that the functions of the economist on the free market differ sharply from those of the

[1]Murray N. Rothbard, "Praxeology: Reply to Mr. Schuller," *American Economic Review*, December, 1951, pp. 943–46.

[2]On the pitfalls of economic forecasting *see* John Jewkes, "The Economist and Economic Change" in *Economics and Public Policy* (Washington,

economist on the hampered market. What can the economist do on the purely free market? He can *explain the workings of the market economy* (a vital task, especially since the untutored person tends to regard the market economy as sheer chaos), but *he can do little else.* Contrary to the pretensions of many economists, he is of little aid to the businessman. He cannot forecast future consumer demands and future costs as well as the businessman; if he could, then *he* would be the businessman. The entrepreneur is where he is precisely because of his superior forecasting ability on the market. The pretensions of econometricians and other "model-builders" that they can precisely forecast the economy will always founder on the simple but devastating query: "If you can forecast so well, why are you not doing so on the stock market, where accurate forecasting reaps such rich rewards?"[3] It is beside the point to dismiss such a query—as many have done—by calling it "anti-intellectual"; for this is precisely the acid test of the would-be economic oracle.

In recent years, new mathematico-statistical disciplines have developed—such as "operations research" and "linear programming"—which have professed to help the businessman make his concrete decisions. If these claims are valid, then such disciplines are not *economics* at all, but a sort of management technology. Fortunately, operations research has developed into a

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D.C.: The Brookings Institution, 1955), pp. 81–99; P.T. Bauer, *Economic Analysis and Policy in Underdeveloped Countries* (Durham, N.C.: Duke University Press, 1957), pp. 28–32; and A.G. Abramson, "Permanent Optimistic Bias—A New Problem for Forecasters," *Commercial and Financial Chronicle*, February 20, 1958, p. 12.

[3]Professor Mises has shown the fallacy of the very popular term "model-building," which has (with so many other scientific fallacies) been taken over misleadingly by analogy from the physical sciences—in this case, engineering. The engineering model furnishes the *exact* quantitative dimensions—in proportionate miniature—of the real world. No economic "model" can do anything of the kind. For a bleak picture of the record of economic forecasting, *see* Victor Zarnowitz, *An Appraisal of Short-Term Economic Forecasts* (New York: Columbia University Press, 1967).

frankly separate discipline with its own professional society and journal; we hope that all other such movements will do the same. The *economist* is not a business technologist.[4]

The economist's role in a free society, then, is purely educational. But when government—or any other agency using violence—intervenes in the market, the "usefulness" of the economist expands. The reason is that no one knows, for example, what future *consumer* demands in some line will be. Here, in the realm of the free market, the economist must give way to the entrepreneurial forecaster. But *government* actions are very different, because the problem now is precisely what the *consequences* of governmental acts will be. In short, the economist may be able to tell what the effects of an increased demand for butter will be; but this is of little practical use, since the businessman is primarily interested, not in this chain of consequences—which he knows well enough for his purposes—but in *whether* or not such an increase will take place. For a governmental decision, on the other hand, the "whether" is precisely what the citizenry must decide. So here the economist, with his knowledge of the various alternative consequences, comes into his own. Furthermore, the consequences of a governmental act, being indirect, are much more difficult to analyze than the consequences of an increase in consumer demand for a product. Longer chains of praxeological reasoning are required, particularly for the needs of the decision-makers. The consumer's decision to purchase butter and the entrepreneur's decision about entering into the butter business do not require praxeological reasoning, but rather insight into the concrete data. The judging and evaluation of a governmental act (e.g., an income tax), however, require long chains of praxeological reasoning. Hence, for two reasons—because the initial data are here supplied to him and because the consequences must be analytically

[4]Since writing the above, the author has come across a similar point in Rutledge Vining, *Economics in the United States of America* (Paris: UNESCO, 1956), pp. 31 ff.

explored—the economist is far more "useful" as a political economist than as a business adviser or technologist. In a hampered market economy, indeed, the economist often becomes useful to the businessman—where chains of economic reasoning become important, e.g., in analyzing the effects of credit expansion or an income tax and, in many cases, in spreading this knowledge to the outside world.

The political economist, in fact, is indispensable to any citizen who frames ethical judgments in politics. Economics can never by itself supply ethical dicta, but it does furnish existential laws that cannot be ignored by anyone framing ethical conclusions—just as no one can rationally decide whether product X is a good or a bad food until its consequences on the human body are ascertained and taken into account.

2. Implicit Moralizing: The Failures of Welfare Economics

As we have reiterated, economics cannot by itself establish ethical judgments, and it can and should be developed in a *Wertfrei* manner. This is true whether we adopt the modern disjunction between fact and value, or whether we adhere to the classical philosophical tradition that there can be a "science of ethics." For even if there can be, economics may not by itself establish it. Yet economics, especially of the modern "welfare" variety, is filled with implicit moralizing—with unanalyzed *ad hoc* ethical statements that are either silently or under elaborate camouflage slipped into the deductive system. Elsewhere we have analyzed many of these attempts, e.g., the "old" and the "new" welfare economics.[5] Interpersonal utility comparisons, the "compensation principle," the "social welfare function," are typical examples. We have also seen the absurdity of the search for criteria of "just" taxation before the justice of taxation itself

[5]Rothbard, "Toward a Reconstruction of Utility and Welfare Economics," pp. 243 ff.

has been proven. Other instances of illegitimate moralizing are the doctrine that product differentiation harms consumers by raising prices and restricting production (a doctrine based on the false assumptions that consumers *do not want these differences*, and that cost curves remain the same); the spurious "proof" that, given the total tax bill, the income tax is "better" for consumers than excise taxes;[6] and the mythical distinction between "social cost" and "private cost."

Neither can economists legitimately adopt the popular method of maintaining ethical neutrality while pronouncing on policy, that is, taking not their own but the "community's" values, or those they attribute to the community, and simply advising others how to attain these ends. An ethical judgment is an ethical judgment, no matter who or how many people make it. It does not relieve the economist of the responsibility for having made ethical judgments to plead that he has borrowed them from others. The economist who calls for egalitarian measures because "The people want more equality," is no longer strictly an economist. He has abandoned ethical neutrality, and he abandons it not a whit more if he calls for equality simply because *he* wants it so. Value judgments remain only value judgments; they receive no special sanctification by virtue of the number of their adherents. And uncritically adhering to all the prevailing ethical judgments is simply to engage in apologetics for the *status quo*.[7]

I do not at all mean to deprecate value judgments; men do and must always make them. But I do say that the injection of value judgments takes us beyond the bounds of economics *per*

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[6]*See* Richard Goode, "Direct versus Indirect Taxes: Welfare Implications," *Public Finance/Finance Publique* (XI, 1, 1956), pp. 95–98; David Walker, "The Direct-Indirect Tax Problem: Fifteen Years of Controversy," *Public Finance/Finance Publique* (X, 2, 1955), pp. 153–76.

[7]For a critique of "realism" as a ground for *status quo* apologetics by social scientists, *see* Clarence E. Philbrook, "'Realism' in Policy Espousal," *American Economic Review*, December, 1953, pp. 846–59.

se and into another realm—the realm of rational ethics or personal whim, depending on one's philosophic convictions.

The economist, of course, is a technician who explains the consequences of various actions. But he cannot *advise* a man on the best route to achieve certain ends without *committing himself* to those ends. An economist hired by a businessman implicitly commits himself to the ethical valuation that increasing that businessman's profits is good (although, as we have seen, the economist's role in business would be negligible on the free market). An economist advising the government on the most efficient way of rapidly influencing the money market is thereby *committing himself* to the desirability of government manipulation of that market. The economist cannot function as an adviser without committing himself to the desirability of the ends of his clients.

The utilitarian economist tries to escape this policy dilemma by assuming that everyone's ends are really the same—at least ultimately. If everyone's ends are the same, then an economist, by showing that Policy A cannot lead to Goal G, is justified in saying that A is a "bad" policy, since everyone values A *in order* to achieve G. Thus, if two groups argue over price controls, the utilitarian tends to assume that the proven consequences of maximum price controls—shortages, disruptions, etc.—will make the policy *bad* from the point of view of the advocates of the legislation. Yet the advocates may favor price controls anyway, for other reasons—love of power, the building of a political machine and its consequent patronage, desire to injure the masses, etc. It is certainly overly sanguine to assume that everyone's ends are the same, and therefore the utilitarian shortcut to policy conclusions is also inadequate.[8]

[8]It is probably true, of course, that general knowledge of these consequences of price control would considerably reduce social support for this measure. But this is a politico-psychological, not a praxeological, statement.

3. Economics and Social Ethics

If the economist *qua* economist must be *Wertfrei*, does this leave him any room for significant pronouncements on questions of public policy? Superficially, it would seem not, but this entire work has been testimony to the contrary. Briefly, the *Wertfrei* economist can do two things: (1) he can engage in a praxeological critique of inconsistent and meaningless ethical programs (as we have tried to show in the preceding chapter); and (2) he can explicate analytically all the myriad consequences of different political systems and different methods of government intervention. In the former task, we have seen that many prominent ethical critiques of the market are inconsistent or meaningless, whereas attempts to prove the same errors in regard to the ethical underpinnings of a free society are shown to be fallacious.

In the latter role, the economist has an enormous part to play. He can analyze the consequences of the free market and of various systems of coerced and hampered exchange. One of the conclusions of this analysis is that the purely free market maximizes social utility, because every participant in the market benefits from his voluntary participation. On the free market, every man gains; one man's gain, in fact, is precisely the *consequence* of his bringing about the gain of others. When an exchange is coerced, on the other hand—when criminals or governments intervene—one group gains *at the expense* of others. On the free market, everyone earns according to his productive value in satisfying consumer desires. Under statist distribution, everyone earns in proportion to the amount he can plunder from the producers. The market is an interpersonal relation of peace and harmony; statism is a relation of war and caste conflict. Not only do earnings on the free market correspond to productivity, but freedom also permits a continually enlarged market, with a wider division of labor, investment to satisfy future wants, and increased living standards. Moreover, the market permits the ingenious device of *capitalist calculation*, a calculation necessary to the efficient and productive allocation of the factors of production. Socialism cannot calculate and hence must either shift to a market economy or revert to a barbaric standard of living after its plunder of the preexisting capital structure has been exhausted. And every intermixture of government ownership or interference in the market distorts the allocation of resources and introduces islands of calculational chaos into the economy. Government taxation and grants of monopolistic privilege (which take many subtle forms) all hamper market adjustments and lower general living standards. Government inflation not only must injure half the population for the benefit of the other half, but may also lead to a business-cycle depression or collapse of the currency.

We cannot outline here the entire analysis of this volume. Suffice it to say that *in addition* to the praxeological truth that (1) under a regime of freedom, everyone gains, whereas (2) under statism, some gain (X) at the expense of others (Y), we can say something else. For, in all these cases, X is *not* a pure gainer. The indirect long-run consequences of his statist privilege will redound to what he would generally consider his *disadvantage*—the lowering of living standards, capital consumption, etc. X's exploitation gain, in short, is clear and obvious to everyone. His *future loss*, however, can be comprehended only by praxeological reasoning. A prime function of the economist is to make this clear to all the potential X's of the world. I would not join with some utilitarian economists in saying that this settles the matter and that, since we are all agreed on ultimate ends, X will be bound to change his position and support a free society. It is certainly conceivable that X's high time preferences, or his love of power or plunder, will lead him to the path of statist exploitation even when he knows all the consequences. In short, the man who is about to plunder is already familiar with the direct, immediate consequences. When praxeology informs him of the longer-run consequences, this information may often count in the scales against the action. But it may also *not* be enough to tip the scales. Furthermore, some may prefer these long-run consequences. Thus, the OPA director who finds that maximum price controls lead to shortages may (1) say that shortages are bad, and resign; (2) say that shortages are bad, but give more weight to other considerations, e.g., love of power or plunder, or his high time preference; or (3) believe that shortages are *good*, either out of hatred for others or from an ascetic ethic. And from the standpoint of praxeology, any of these positions may well be adopted without saying him nay.

4. The Market Principle and the Hegemonic Principle

Praxeological analysis of comparative politico-economic systems can be starkly summed up in the following table:

SOME CONSEQUENCES OF:

THE MARKET PRINCIPLE	THE HEGEMONIC PRINCIPLE
individual freedom	coercion
general mutual benefit (maximized social utility)	exploitation—benefit of one group at expense of another
mutual harmony	caste conflict: war of all against all
peace	war
power of man over nature	power of man over man
most efficient satisfaction of consumer wants	disruption of want-satisfaction
economic calculation	calculational chaos
incentives for production and advance in living standards	destruction of incentives: capital consumption and regression of living standards

The reader will undoubtedly ask: How can all the various systems be reduced to such a simple two-valued schema? Does not this grossly distort the rich complexity of political systems?

On the contrary, this dichotomy is a crucial one. No one disputes the fact that, historically, political systems have differed in *degree*—that they have never been pure examples of the market or of the hegemonic principle. But these mixtures can be analyzed only by breaking them down into their components, their varying blends of the two polar principles. On Crusoe's and Friday's island, there are basically two types of interpersonal relations or exchanges: the free or voluntary, and the coerced or hegemonic. *There is no other type of social relation*. Every time a free, peaceful unit-act of exchange occurs, the market principle has been put into operation; every time a man coerces an exchange by the threat of violence, the hegemonic principle has been put to work. All the shadings of society are mixtures of these two primary elements. The more the market principle prevails in a society, therefore, the greater will be that society's freedom and its prosperity. The more the hegemonic principle abounds, the greater will be the extent of slavery and poverty.

There is a further reason for the aptness of this polar analysis. For it is a peculiarity of hegemony that every coercive intervention in human affairs brings about further problems that call for the choice; repeal the initial intervention or add another one. It is this feature that makes any "mixed economy" inherently unstable, tending always toward one or the other polar opposite—pure freedom or total statism. It does not suffice to reply that the world has always been in the middle anyway, so why worry? The point is that no zone in the middle is stable, because of its own self-created problems (its own "inner contradictions," as a Marxist would say). And the result of these problems is to push the society inexorably in one direction or the other. The problems, in fact, are recognized by everyone, regardless of his value system or the means he proposes for meeting the situation.

What happens if socialism is established? Stability is not reached there, either, because of the poverty, calculational chaos, etc., which socialism brings about. Socialism may continue a long time if, as under a primitive caste system, the people believe that the system is divinely ordained, or if partial and incomplete socialism in one or a few countries can rely on the foreign market for calculation. Does all this mean that the purely free economy is the only stable system? Praxeologically, yes; psychologically, the issue is in doubt. The unhampered market is free of self-created economic problems; it furnishes the greatest abundance consistent with man's command over nature at any given time. But those who yearn for power over their fellows, or who wish to plunder others, as well as those who fail to comprehend the praxeological stability of the free market, may well push the society back on the hegemonic road.

To return to the cumulative nature of intervention, we may cite as a classic example the modern American farm program. In 1929, the government began to support artificially the prices of some farm commodities above their market price. This, of course, brought about unsold surpluses of these commodities, surpluses aggravated by the fact that farmers shifted production out of other lines to enter the now guaranteed high-price fields. Thus, the consumer paid four ways: once in taxes to subsidize the farmers, a second time in the higher prices of farm products, a third time in the wasted surpluses, and a fourth time in the deprivation of forgone products in the unsupported lines of production. But the farm surplus was a problem, recognized as such by people with all manner of value systems. What to do about it? The farm program could have been repealed, but such a course would hardly have been compatible with the statist doctrines that had brought about the support program in the first place. So, the next step was to clamp maximum production controls on the farmers who produced the supported products. The controls had to be set up as quotas for each farm, grounded on production in some past base-period, which of course cast farm production in a rapidly obsolescing mold. The quota system bolstered the inefficient farmers and shackled the efficient ones. Paid, in effect, *not* to produce certain products (and, ironically, these have invariably been what the government considers the "essential" products), the farmers naturally shifted to producing other products. The lower prices of the nonsupported products set up the same clamor for support there. The next plan, again a consequence of statist logic at work, was to avoid these embarrassing shifts of production by creating a "soil bank," whereby the government paid the farmer to make sure that the land remained completely *idle*. This policy deprived the consumers of even the substitute farm products. The result of the soil bank was readily predictable. Farmers put into the soil bank their poorest lands and tilled the remaining ones more intensively, thus greatly increasing their output on the better lands and continuing the surplus problem as much as ever. The main difference was that the farmers then received government checks for not producing anything.

The cumulative logic of intervention is demonstrated in many other areas. For instance, government subsidization of poverty increases poverty and unemployment and encourages the beneficiaries to multiply their offspring, thus further intensifying the problem that the government set out to cure. Government outlawing of narcotics addiction greatly raises the price of narcotics, driving addicts to crime to obtain the money.

There is no need to multiply examples; they can be found in all phases of government intervention. The point is that the free-market economy forms a kind of natural *order*, so that any interventionary disruption creates not only disorder but the necessity for repeal or for cumulative disorder in attempting to combat it. In short, Proudhon wrote wisely when he called "Liberty the Mother, not the Daughter, of Order." Hegemonic intervention substitutes chaos for that order.

Such are the laws that praxeology presents to the human race. They are a binary set of consequences: the workings of the market principle and of the hegemonic principle. The former breeds harmony, freedom, prosperity, and order; the latter produces conflict, coercion, poverty, and chaos. Such are the consequences between which mankind must choose. In effect, it must choose between the "society of contract" and the "society of status." At this point, the praxeologist as such retires from the scene; the citizen—the ethicist—must now choose according to the set of values or ethical principles he holds dear.

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