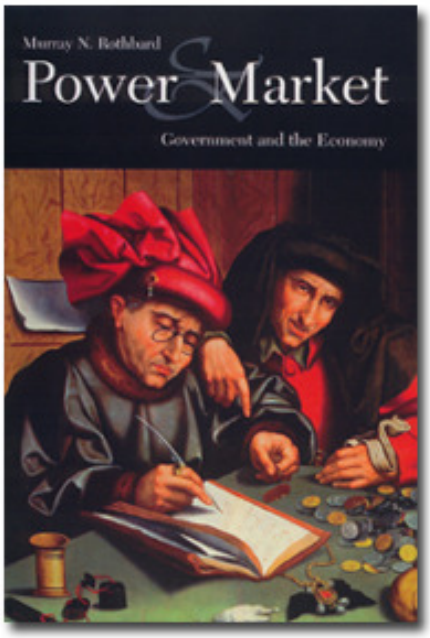

Power and Market: Government and the Economy

Murray N. Rothbard

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Binary intervention is when the state interferes directly with a private ... Man
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Power and Market: Government and the Economy Details

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Philo Phineas Frederiksen says

This is my favourite passage:

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

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 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.

Thomas says

Power and Market has its virtues, especially when it takes a similar approach to Man, Economy & State (indeed, a decent amount of the material is repeated from MES due to the fact that they were originally supposed to be one book). In general, though, I found it less convincing than MES, for two reasons: Rothbard is not as consistent with his own economic doctrine when he gets more "ideological," and in the chapter on praxeological critiques of anti-market ethics, he is sometimes as guilty of "smuggling" in ethical concepts as the other economists he chides for doing so.

First I want to bring up an argument that is very important throughout the book: that if a goal is "conceptually impossible" it is absurd even to try to approach it, and should be abandoned altogether. I think the book could have benefited from a longer discussion of what makes something "conceptually impossible." For example, there is a difference between a goal that is conceptually impossible because it is self-contradictory and a goal that is impossible to fully achieve simply because of limitations on human knowledge. "Equal taxation" would be conceptually impossible in the first sense, because of Rothbard's point that bureaucrats don't pay taxes (though perhaps it would be possible if we defined it as equal taxation of all non-bureaucrats).

Despite himself, Rothbard at least once admits that it is possible to approach a goal that he describes as "conceptually impossible." For example, he says the neutral tax is "conceptually impossible," yet in his

assessment of various types of taxes he describes some as coming closer to neutrality than others. If some taxes are more neutral than others, then it must be that neutral taxation is not conceptually impossible, just practically so, or that it is possible, and perhaps even desirable, to approach a goal that is in some sense conceptually impossible to achieve perfectly.

Another argument Rothbard makes frequently is that a criterion (for just taxation for example) is "arbitrary." I'm not sure this is always or entirely sufficient to show that a criterion is worthless. Rothbard seems to think that if we can't know EXACTLY how something should be managed then any standard we aim for is completely arbitrary and thus should be abandoned. But, for example, the precise age at which people are allowed to marry is clearly arbitrary to an extent, yet that doesn't mean that we can't get in the ballpark or that setting some specific age boundary isn't necessary or desirable.

One of Rothbard's habits of thought is that he is a man of one idea - not just in the sense that he can only think in terms of one idea, but that he thinks everything must be based on only one principle. For example, in the critique of democracy (which I generally agree with), he keeps saying things like, "If the criterion is efficiency or stability, you must abandon the idea of direct democracy or do away with the legislature." But what if we are trying to balance the two principles, neither of which are absolute? Rothbard wants every principle to be absolute and absolutely realizable, and I'm not sure this need be the case.

The worst argument in the book is the critique of the "ballots-instead-of-bullets" argument for democracy. Rothbard bizarrely insists that the ballots-instead-of-bullets argument must mean the two processes give the same weight to physical prowess. But it may even be partially because they weigh differently that we prefer ballots to bullets! At any rate, nobody ever meant that ballots have to be an "accurate substitute" for bullets. They simply prefer a peaceful change to a violent one, whether the results would be different or not. (In the study guide, Bob Murphy says that Rothbard is being facetious here, but I'm not sure.) That said, I absolutely love Rothbard's idea of removing all names from ballots and requiring everyone to write someone in.

Now we come to the weakest part of the book, Chapter 6: Antimarket Ethics: A Praxeological Critique. I'm pretty sure some of the critiques Rothbard makes here are not purely praxeological in nature, and while that's okay (though not by his Wertfrei standard), they are often just really lame arguments anyway. Let's start with "The Problem of Immoral Choices."

Rothbard says if you advocate govt. control over one area of consumption you must logically advocate it over all areas: "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." This is a very bad argument. One may believe one form of consumption is morally superior to another without viewing the lower form as immoral; not every choice of consumption is a choice between something moral and something immoral. Even in cases of immorality, there may be all sorts of prudential reasons against intervention. And there may be not just prudential but moral reasons to proscribe one kind of immoral behavior while leaving another alone. Finally, even if we accept the assumption that anyone who proscribes an immoral behavior must logically believe in proscribing all other immoral behaviors, the problem with the person who wants to prohibit Mozartian music is not just that he is trying to enforce morality, but that he is wrong in his moral judgments in the first place. The absurdity of his judgment does not make reflect on the logic of anyone else who may want to prohibit only truly immoral behaviors. Surely it matters whether the specific moral judgments being made are correct!

Next Rothbard makes an argument that clearly is not praxeological in nature, because it depends on one's understanding of the nature of morality. (Maybe I'm misunderstanding the scope of praxeology here, and it can deal with morality insofar as it tells us about moral action qua action rather than qua moral, but either

way, we'll see that Rothbard is wrong.) The question Rothbard is asking and answering is whether or not force can advance morality. He seems to think it clearly cannot. But the goals of those who would legislate based on morality are more nuanced than he gives them credit for.

Even if force can't advance morality directly, it can certainly prevent immoral behaviors which may be morally harmful to others. Also, even if laws do not change the heart directly, they can change habits. If laws against coercion make it less likely for people to coerce, then they make people less likely to have the moral defect of being habitually coercive. A person who is disposed to adultery but does not do it, even solely because of the law prohibiting adultery, is arguably better off for not having committed adultery even if he wants to with all his heart. It also protects him from the negative consequences of his action, giving him time to repent of his wicked desires before digging himself deeper by acting on them. (I'm not arguing here that we should have laws against adultery, I'm just using it as an example to make a point.)

Rothbard says that “If a man is not free to choose, if he is compelled by force to do the moral thing, then…he is being deprived of the opportunity of being moral.” So in a libertarian society where all violence is forbidden, does that mean nobody has the opportunity to have good moral habits regarding violence or the abstention thereof? Does the law against murder (which Rothbard supports) ONLY benefit the people who will not be murdered, or does it not benefit potential murderers also? Also, there is a difference between prohibiting someone from doing harm and forcing him to do good. I would imagine the vast majority of laws prohibiting immoral behavior do not have the primary goal of instilling virtue, but simply of limiting vice, something Rothbard does not seem to recognize. And as I mentioned earlier, even if coercion can do no good for the evildoer, it may protect others from his bad influence.

Another argument Rothbard makes reveals what I think is one of the few major flaws (or at least limitations) in his economic thought as a whole. In "The Charge of 'Selfish Materialism'," he says that advocates of altruism must praise someone who takes higher monetary income over someone who takes higher non-monetary psychic income, because higher monetary income is the result of serving others better. But what about service to others that is not reflected in monetary income? Or what about service to others that is morally superior, while making less money? ALL we can say is that people who make money are serving people’s subjective desires—not that they are truly serving them as is spiritually (or even materially) best for them. Rothbard acknowledges this occasionally, but he continually oversteps this limit, as does Mises. That is, he says that on the free market people make money only by benefiting their fellow man - granted, he would say this is a mere shorthand for "fulfilling people's subjective desires," but by using this shorthand so often he habitually overlooks the often wide gulf between people's subjective valuations (the proper study of economics) and what is actually best for them, or the real hierarchy of objective good. Rothbard be smugglin’!

To continue addressing the argument, and to put aside the objective good for a moment, I’m not sure we can even conclude universally that the person who makes more money is serving even people’s subjective desires more than someone who makes less. There are many nonmonetary transactions, many gifts, many “free” services. Also, if only subjective utility matters to the economist, and it cannot be compared interpersonally, neither can the subjective utility of money be compared interpersonally, which means that someone who makes more money is not necessarily serving people more than someone who makes less (the people who are spending on less expensive goods may tend to be people for whom money has a higher subjective utility, and also, while prices reflect overall demand on the market, a more expensive product does not necessarily give more utility *to a particular individual* than a less expensive one). ALL we can say is that people expect to benefit subjectively from an exchange and therefore if someone makes money on the free market, they have done so by subjectively benefiting their customers—we cannot infer so much as Rothbard does about the degree to which they have done so.

Rothbard often writes as though the subjective utility of money is interpersonally comparable. He only remembers that it is not when it suits his purposes in making an argument against "equal taxation" or something like that.

I also have to conclude at this point that the psychic (non-monetary) income aspect of praxeology is sorely underdeveloped. Indeed, Rothbard typically mentions it as an afterthought if at all, or (again) where it is convenient for refuting an opposing view, but he doesn’t allow it to complicate his theory—and yet it may be far more significant than monetary income in many cases.

To nitpick one last thing, Rothbard says “every hour spent in leisure reduces the time a man can spend serving his fellows.” What if the things he does in his leisure serves them via non-monetary-exchange means? What if he is spending leisure time with his fellows and this is increasing the utility of their leisure time? I wouldn't want to give people the impression that Rothbard's economic theory really endorses statements like this, because it doesn't. It is typically when he is making his "praxeological" political arguments that he does a disservice to his own praxeology.

That concludes my review. One more thing, for any well-versed Rothbardians who may read this, could you help me with the following study question from Murphy's study guide? It seems like a genuine difficulty that I don't know how to resolve. Murphy writes, "Rothbard says (p. 1158) that a sales tax cannot be shifted forward because businesses don’t need a tax to raise prices (if that were really more profitable). But doesn’t this also prove that a sales tax can’t be shifted backward? (p. 1159) If businesses could get away with cutting wages, why wait for the sales tax?"

Tomer Tzadok says

This book is a great introduction to Anarcho-Capitalism. Murray promotes liberty while slamming arguments against statism. I wish more people would wake up to the state of their false conditioning and digest his ideas. It completely changes the way you view the world.

Arsen Zahray says

Probably Rothbard's most important work

Alfonso says

Interesante obra «anarcocapitalista» que ayuda a pensar el rol del Estado en las naciones modernas y su relación de violencia por conveniencia con el individuo de la sociedad.

Vitor Araujo says

ótimo livro, abordando todos os tipos de intervenção estatal na economia e seus efeitos negativos

Clinton says

Power and Market describes a dichotomy between two forms of exchange. Power employs the threat of violence and coercion whereas the market embraces voluntary action and free choice. Basically, the book originated from a summarized version of Chapter 12 from Man, Economy, and State. Rothbard illustrates the good intentions of government intervention into a market economy justified by ethical standards but results into unintended consequences of unsound economics. The three types of government intervention are Autistic, Binary and Triangular.
Autistic Intervention occurs when the aggressor uses force on an individual where no on else is affected. Basically, it is an assault on utility both ex ante and ex post. In a free market, when people exchange goods and services, the market provides the maximum utility whereas intervention decreases utility because it prevents individuals pursuing their most valued desires.
Binary Intervention occurs when the aggressor forces an individual into an exchange between himself and the victim. Since government is the only legal aggressor, government forces all individuals into an exchange through taxation and expenditures. Taxation drains resources away from the private sector, and expenditures distort resource allocation away from consumer demand. Taxation penalizes production. It reduces the incentive to work, it reduces savings by raising time preferences, and it is legalized theft. Pure transfer payments and resource using activities are two forms of government expenditures. Pure transfer payments subsidize individuals or businesses. Resource using activities divert resources from efficient to inefficient production because all government spending is consumption and not investment.
Triangular Intervention occurs when the aggressor uses force in an exchange between two third parties. Two types of triangular intervention are price and product control. Price control is using force to alter terms on which individuals can exchange goods and services. Price ceilings are a maximum price set below the equilibrium price, which leads to shortages, for an example would be rent control. Price floors are a minimum price set above the equilibrium price, which leads to surplus, for an example would be minimum wage laws. Product control regulates the product itself or people involved in the exchange. Such examples would include licensing, immigration, patents, tariffs, conservation laws, child labor laws, and conscription.
Overall, considering Rothbard’s typology of government intervention is original, it is one of the greatest contributions to the science of economics even though it is largely ignored. Not only does Rothbard address government intervention, but he addresses private security and the relationship between economics and ethics.

Alexx says

This book is a complete step by step refutation of every argument in favor of statism. Rothbard, the great libertarian thinker took upon him the quest to expand on Mises' magnum opus "human action". The Austrian school of economics was single-handedly led to its ultimate conclusion: that there is no proper role of government in our lives at all.

It is truly Rothbard that popularized the idea that all governmental services can be provided for by the private sector, and that a minimal state is simply an un-defendable position. Rothbard thus ushered a whole new political philosophy: anarcho-capitalism. While it is true that in the past, thinkers like Spooner, Spencer, Throeau and others have had similar ideas, it is through Rothbard systematic work, and steepness in

economic insight, that has truly demarcated a new path: total laissez faire free market capitalism.

The book attacks every government action whether it's taxation (all forms of taxation are discussed, and their impacts), subsidization, nationalization of companies, tariffs, licensing, patents, minimum wages, price fixing (maximum prices or minimum prices), immigration laws, and many more. Each action is examined, it's actual effect laid bare to see, and each conclusion irrefutable: that it is a burden on the society it's transgressed upon.

Towards the end he tackles moral arguments against free markets, lifts the veil on misconceptions (e.g. free markets promote the law of the jungle and many more.

It's a fairly long read, but it's certainly worth the effort. It lays a good foundation, upon which one can build through studying of specific cases of the implications arrived at.

Jandre says

Absolute simplistic garbage, it's like when your grandpa sits you down and tell you a story about how it was in the old days. Everything is nice, easy and logical, everything otherwise is complicated and full of ill will. Historical ignorance, economic ignorance, and scientific ignorance abound. If you like to take a ride into a world of fantasy where somehow everything works out if only, if only, the market were unimpeded to do it's magical work, this is the book for you. I think Batman comics may have more economic and behavioural insight than this rubbish.
