

Murray Rothbard on Me and Vice Versa

“Rothbard is the most entertaining of major libertarian thinkers; sharp, witty, mean, funny, and colloquial” (Brian Doherty in “A Tale of Two Libertarianisms, *Reason*, 12/18/2009)

An essay published by Murray Rothbard back in 1977 criticized me for my failure to hate the state.¹ He was correct. I regard support for government not as an act of willful evil but an intellectual mistake. My arguments and his could be wrong; some sort of government might be the least bad alternative among workable human institutions. And even if we are correct, other people may reasonably think we are not, as lots of intelligent people I know do. One unfortunate consequence of Rothbard’s point of view was that, since he was certain he was right and viewed disagreement as war, he was more interested in whether an argument supported his position than whether it was correct.

My standard example is an exchange long ago, after a talk in which he claimed that Reagan did not really cut government and offered as evidence the increase in the nominal federal budget. I pointed out that, while his conclusion might for all I knew be true, his evidence combined whatever growth had occurred in the real size of the federal government with the effect of inflation over the period. His response was that that was all right: Because Reagan was responsible for the inflation, it was appropriate to use it to make his performance look worse.

Think that through and he was saying that it was all right to misrepresent the evidence to his fellow libertarians as long as the result was to make them think badly of someone they should think badly of, to lead them to the correct conclusion for the wrong reason. I do not regard that as a desirable approach to argument. Or a libertarian one — libertarians oppose fraud as well as force.

In an earlier draft of this chapter I wrote that that exchange survived, so far as I knew, only in memory, but I was wrong. Looking through old issues of Rothbard’s *Libertarian Forum*, which the Mises Institute has conveniently webbed,² I discovered an article by Rothbard written after our exchange in which he made the same argument, and went on to write:

David Friedman, David Henderson, and other "libertarian" apologists for Reaganism have protested that such an attack is unfair since inflation can reduce the "real" level of government spending, as corrected for inflation. But while it is perfectly valid to correct yours and my incomes for inflation to see how well off we really are, it is impermissible to do this for the federal government, which, by its printing of counterfeit money, is itself responsible for the inflation. It is truly bizarre to try to excuse the growth of Reagan spending by pointing to inflation's reducing the "real" level of spending, for in that case, we should hope for an enormous amount of inflation and hail Reagan's spending "reductions" if such hyperinflation came about.³

The word “unfair” in the second line says something about how Rothbard viewed the controversy. The issue was not whether he was being fair to Reagan but whether he was being honest with his

¹ <https://mises.org/library/do-you-hate-state>

² https://cdn.mises.org/Libertarian_Forum_Volume_1_0.pdf and https://cdn.mises.org/Libertarian_Forum_Volume_2_0.pdf

³ “Are We Being Beastly to the Gipper? Part I,” *Libertarian Forum* XVI Number 1, February 1982, p.1.

audience. Readers may decide for themselves whether his argument comes down to anything more than “Reagan is bad, so facts that make him look less bad don’t count.”

A more important example, one I discussed online at some length back in the days of Usenet, is Rothbard's account of economic history, his misrepresentation of Adam Smith (unfavorable) and his French contemporaries, especially Turgot (favorable). That controversy was revived when David Gordon posted an article on the Mises Daily web site defending Rothbard against my criticism and I responded. All the relevant evidence is findable: *An Austrian Perspective on the History of Economic Thought* (volume II) by Murray Rothbard, *The Wealth of Nations* by Adam Smith, and *The Turgot Collection*, edited by David Gordon with an introduction by Murray Rothbard.

Rothbard on Smith on Taxation

Rothbard writes:

“And finally, Adam Smith advocated the soak-the-rich policy of progressive income taxation.”⁴

I could find no support in Rothbard’s book for that claim, and it is false twice over. To begin with, Smith was opposed to any sort of income tax, with the possible exception of a tax on the income of government employees. Here is his comment on “Taxes which, it is intended, should fall indifferently upon every different Species of Revenue”:

Capitation taxes, if it is attempted to proportion them to the fortune or revenue of each contributor, become altogether arbitrary. The state of a man’s fortune varies from day to day, and without an inquisition more intolerable than any tax, and renewed at least once every year, can only be guessed at. His assessment, therefore, must in most cases depend upon the good or bad humour of his assessors, and must, therefore, be altogether arbitrary and uncertain.

Further, as Rothbard himself notes only a few pages later, the first of Smith’s canons of taxation was that:

The subjects of every state ought to contribute towards the support of government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state.⁵

That implies tax incidence proportional to income, flat not progressive taxation. Smith, unlike most modern politicians and journalists, distinguished between who hands over the money and who actually bears the cost. What he is arguing for is not a tax on income but a system of taxation whose incidence is proportional to income.⁶

⁴ Rothbard (2010), p. 467.

⁵ Smith () p. 471.

⁶ Readers unfamiliar with the distinction can find an explanation in Wikipedia: https://en.wikipedia.org/wiki/Tax_incidence.

Rothbard also objects that Smith was not really a free trader, offering as one example his support for export taxes on wool.⁷ Smith, like Cantillon and Turgot, contemporary French economists of whom Rothbard speaks favorably, was not, like Rothbard himself, an anarchist; all of them believed in a government providing (at least) national defense and paying for it with taxes. That left them with the problem of picking the least bad form of taxation.

What made Smith a free trader was that he regarded the effect on the economy of import and export taxes, including that one, as bad, not a policy objective but a cost of raising needed money. The difference between him and Turgot was not that one believed more in the virtues of free trade than the other but that Turgot, along with the physiocrats with whom he was associated, thought the ideal system of taxation would collect all of its revenue from the net produce of land,⁸ while Smith discussed the advantages and disadvantages of a wide range of alternative taxes.

What Rothbard does not mention is that, at the time Smith was writing, the export of wool was a criminal offense which the government tried to prevent by extensive regulations over the wool trade, described in detail by Smith. He proposed replacing the ban with a tax, which would have been a large reduction in government interference with trade. Rothbard has to have known that most of his readers would not know that. It is as if someone writing a century from now denied that one of our contemporaries was opposed to the war on drugs on the evidence of his proposal that marijuana should be taxed — without mentioning that the tax was part of a proposal to legalize it.

Smith, Turgot, and public education

Rothbard writes, quoting Smith:

“(T)he security of every society must always depend, more or less, upon the martial spirit of the great body of the people.”

And adds:

It was an anxiety to see government foster such a spirit that led Smith into another important deviation from *laissez-faire* principle: his call for government-run education.

The first problem with this is that Smith did not call for government-run education. In the course of a lengthy discussion he offered arguments both for and against a government role in education. His conclusion, which Rothbard does not mention, was that a partial subsidy to the education of the masses would not be unjust but that it would be equally proper, and might be better, to leave education entirely private.

“The expence of the institutions for education and religious instruction, is likewise, no doubt, beneficial to the whole society, and may, therefore, without injustice, be defrayed

⁷ “He [Smith] also favored moderate taxes on the import of foreign manufactures and taxes on the export of raw wool — thus gravely weakening his alleged devotion to freedom of international trade”

⁸ Turgot defends this conclusion with the claim that everyone other than the landowner will be bargained down to subsistence, so have no surplus out of which to pay taxes. That sounds rather like the iron law of wages that appears, in varying form, in Smith, Malthus, and Ricardo, but Turgot says nothing at all about the effect of wages on population on which those theories are based. He seems to think that the mere fact that food is the most fundamental need will give the producer of food the upper hand, ignoring the fact that with multiple producers of food each must compete with the others in exchanging what he produces for the labor of his workers or the products of craftsmen.

by the general contribution of the whole society. This expense, however, might perhaps with equal propriety, and even with some advantage, be defrayed altogether by those who receive the immediate benefit of such education and instruction, or by the voluntary contribution of those who think they have occasion for either the one or the other.”⁹

Rothbard’s reference to “martial spirit” in connection with “His devotion to the militarism of the nation-state” is a misleading one. Smith writes:

But the security of every society must always depend, more or less, upon the martial spirit of the great body of the people. In the present times, indeed, that martial spirit alone, and unsupported by a well disciplined standing army, would not, perhaps, be sufficient for the defence and security of any society. But where every citizen had the spirit of a soldier, a smaller standing army would surely be requisite. That spirit, besides, would necessarily diminish very much the dangers to liberty, whether real or imaginary, which are commonly apprehended from a standing army. As it would very much facilitate the operations of that army against a foreign invader, so it would obstruct them as much if unfortunately they should ever be directed against the constitution of the state.

Smith’s argument on the virtues of a martial spirit is the same as an argument sometimes offered today for the right to bear arms. It makes a large military less necessary and a military coup less likely to succeed. That is very nearly the opposite of what Rothbard implies.

Rothbard continues:

“It is also important, opined Smith, to have government education in order to inculcate obedience to it among the populace — scarcely a libertarian or *laissez-faire* doctrine. Wrote Smith:

“An instructed and intelligent people besides are always more decent and orderly than an ignorant and stupid one. They feel themselves, each individually, more respectable, and more likely to obtain the respect of their lawful superiors, and they are therefore more disposed to respect those superiors. They are...less apt to be misled into any wanton or unnecessary opposition to the measures of government.”

Here is the full quote from Smith, in context and with Rothbard’s elision filled in and underlined:

The more they [the inferior ranks of people] are instructed, the less liable they are to the delusions of enthusiasm and superstition, which, among ignorant nations frequently occasion the most dreadful disorders. An instructed and intelligent people, besides, are always more decent and orderly than an ignorant and stupid one. They feel themselves, each individually, more respectable, and more likely to obtain the respect of their lawful superiors, and they are, therefore, more disposed to respect those superiors. They are more disposed to examine, and more capable of seeing through, the interested complaints of faction and sedition; and they are, upon that account, less apt to be misled into any wanton or unnecessary opposition to the measures of government¹⁰

⁹ The Glasgow Edition of the Works and Correspondence of Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Volume II, Book V Chapter 1, p. 815.

¹⁰ Smith, *Op. Cit.*, Book V, article II, p. 788.

Both the text that Rothbard elided and “*wanton and unnecessary* opposition” make it clear that the objective is not blind obedience but support for good policy and opposition to bad.

So far, Rothbard’s account is consistent with either of two explanations, that he was deliberately misrepresenting Smith or that he had never really read the book he was criticizing, merely skimmed it for quotes suited to his purposes. What makes the deliberate dishonest of Rothbard’s account clear is the contrast of his treatment of Smith with his treatment of Turgot. In the same book in which he attacks Smith he gives a consistently positive description of Turgot, describing him enthusiastically as a better economist than Smith sadly neglected by later authors while emphasizing his support for laissez-faire in a variety of contexts. He makes the same points in greater detail in his introduction to *The Turgot Collection*.

Having attacked Smith for his supposed support for a government role in education as a way of inculcating obedience to the government in the population, Rothbard says nothing about Turgot’s views on the subject. The following passage by Turgot is from a Memorial to the King of France included in the collection to which Rothbard wrote the introduction:

The first and the most important of all the institutions which I believe to be necessary, the one most fit to immortalize your Majesty’s reign, to have the most influence over the whole extent of the kingdom, is, Sire, the formation of a Council of National Education, under whose direction will be placed the academies, the universities, the colleges, and all the smaller schools.

...

It would be the duty of one of the Councils to get composed a series of classic books, according to a regular plan, so that one would lead on to another, and that the study of the duties of the citizen, member of a family and of the State, might be the foundation of all other studies, which would be graduated in the order of utility they have for the State.

The Council of National Education should supervise the whole machinery of education.

...

For what purpose?

I can propose nothing to you more advantageous for your people, more fit to maintain peace and good order, to give activity to all useful works, to make your authority to be cherished, to attach to you each day more and more the affections of your subjects, than to give to all of them an instruction which opens their mind to the obligations they have to society and to your power that protects them, the duty which these obligations impose, the self-interest that all have to fulfill these duties, for the public good and for their own.

Smith, writing as a professor, suggested that it would not be unjust to have the government subsidize part of the cost of basic education for the masses but might be better to leave education entirely in private hands. Turgot, then Finance Minister of France, advised the king to take complete control of the direction of “the whole machinery of education,” including writing the textbooks, in order to open his subjects’ minds to “the obligations they have to society and to your power that protects them.”

And it is Smith that Rothbard accuses of wanting government control of education in order to inculcate obedience to the government.

It is clear that Rothbard's purpose in the chapter is to attack Smith, in part by correctly pointing out that many of his ideas appear in earlier works, in part by correctly, in part incorrectly, criticizing both his ideas and his claim to be a libertarian. Having such a purpose is not necessarily a bad thing, although the tone is strong enough to make a prudent reader suspect that the author may be letting the conclusions he wants to reach bias his arguments. But the combination of that purpose with extensive misrepresentation of Smith, at least some of it clearly deliberate, seems to me to justify my description, in my old Usenet exchange with a supporter of Rothbard, of that part of the book as a hatchet job.

Murray was bright, articulate, and could be charming, but I don't think he could be trusted.

My 1998 [summary](#) of the Usenet argument

[David Gordon's piece](#)

[My Rebuttal](#)

A Defense of Rothbard

(from a commenter on my blog)

... what the selection process will tend to choose are leaders who are skilled at the art of gaining and holding power and exploiting the populace for their own and their associates' benefit, not rulers who have a farsighted concern for the populace.

Whether or not you wish to call such men "evil," the fact that such men will tend to rule the state is a fairly straightforward result of economic analysis: this is not a conclusion depending on one's moral or philosophical perspective – it is a wertfrei analysis. Of course, the details of how this works will differ slightly among democracy, dictatorship, etc., and every once in a while, the system may "malfunction" badly enough to put a well-intentioned guy at the head of the state.

Murray therefore concluded that social scientists who sincerely hoped to improve the lot of the people by giving "good" advice to the rulers of the state were deluding themselves. He also concluded that just maybe some social scientists thought that they could improve their own lot by giving the rulers the advice the rulers wanted, even though it did not help the people.

...

To put it concretely, few of the people who run the state are likely to read "The Machinery of Freedom," and even fewer are likely to say "Yeah, Friedman's right – I'm going to give up all the power I've worked so diligently to attain and start dismantling the state!"

I responded:

Hayek put it as "why the worst get to the top." I think I would agree that highly successful politicians are likely to have some serious faults, as well as considerable talents.

But it isn't the handful at the top that make the state do what it does — they are simply maximizing against an existing environment, and if replaced the replacement would do roughly the same things. It's the pattern of beliefs that make people in general support the state.

Rothbard's argument, as I understand it, wasn't limited to the top politicians; he used the term "ruling class" to describe a much larger category of beneficiaries.

My response to that was the chapter in *Machinery of Freedom* on the nonexistence of the ruling class — the logic of rent seeking, which I invented after Tullock but before Kruger, who coined the term.

Zog [a poster in the thread] talks about being tolerant of "academic dishonesty," presumably in a good cause. I think my favorite discussion of that issue is still the Orwell essay where he talks about the argument that by telling the truth about Stalin one is "playing into the hands of" the Tories.¹¹

Once it is clear that people, especially on my side, are willing to lie to me in a good cause, there isn't much reason for me to pay attention to them — figuring out what part of what they say to believe is too much work. And once your movement disconnects itself from worrying about what's true, it can go bad in some pretty ugly ways.

"isn't pointing out the moral evil of state actions the most efficient way to get the public to act?"

I think there are two different questions here. One, which you discuss, is the relative effectiveness of different argumentative strategies. In that regard, I have two problems with "playing the moral card."

1. I don't have any really solid arguments to show that my moral beliefs are correct.
2. If I actually believed that eliminating state coercion had catastrophic consequences — as most people do — I'm not sure I would be willing to do it. My impression is that those who say "fiat justitia, ruat coelum" are in fact quite sure the sky isn't going to fall. While I think it is sometimes possible to persuade people by appealing to their moral intuition, mostly it doesn't seem to work.

A further point is that if a sizable part of the reason why people won't apply conventional moral standards to the state is that they believe if they did the results would be terrible, persuading them that the results would not be terrible is one way of getting them to do it.

But there's a second question, relevant to my point about the ruling class if not to yours about styles of argument. A good deal of libertarian rhetoric assumes, implicitly or explicitly, that some substantial set of people is benefiting by the state — this argument is sometimes put, I think absurdly, in terms of net tax recipients vs net tax payers. Not only is there no reason to think that's true, there is no very compelling reason to think that any significant number of people benefit by the existence of the state — or that if some

¹¹ <http://alexpeak.com/twr/tpithoa/>

do, they are people who are engaging in coercion (rather than, say, tax lawyers using their expertise to help customers defend themselves).

My Real Disagreement with Murray Rothbard

Whether Murray Rothbard could be trusted is relevant to anyone who might rely on him for facts or arguments but irrelevant to the arguments themselves; one can, and should, judge them on their own merits, not by who made them. My important disagreement with him on the nature of anarcho-capitalism had to do with our differing views of how the law of an anarcho-capitalist society would be produced and why it would be libertarian. His view, as best I could understand it, was that the law would be the product of libertarian philosophy. Since there was one correct answer to what the law should be, all lawyers and legal scholars would agree and so all courts would accept the same law.

[I]t would not be very difficult for Libertarian lawyers and jurists to arrive at a rational and objective code of libertarian legal principles and procedures based on the axiom of defense of person and property, and consequently of no coercion to be used against anyone who is not a proven and convicted invader of such person and property. This code would then be followed and applied to specific cases by privately competitive and free-market courts and judges. (Rothbard [1965], 208¹²)

There are, in my view, two problems with this. The first is that libertarian thinkers disagree on many features of a just legal code. To take two of the most obvious ones, some libertarians, such as Ayn Rand, support laws protecting intellectual property, others oppose them. Some libertarians, probably most, believe that abortion should be legal, since a woman is the owner of her body. Others argue that it should be illegal, since the fetus has rights that should be protected.

One might attribute these disagreements to intellectual error on one side or another, and that is probably how most of those involved in such controversies see them. But it should be obvious to anyone who has made a serious study of the law that there are many legal questions to which philosophy gives no clear answer.

Consider, for example, the question of what the penalty ought to be for theft. If the convicted thief is merely required to give back what he stole theft becomes a profitable activity, since not all theft is detected: Heads you win, tails you break even. So the penalty must be something more than that.

How much more? Rothbard's answer was that the thief must give back twice the value he stole, but he never offered any convincing reason why it should be two rather than three or ten.¹³ The rule is supposed to apply to all societies, but in a society where theft is hard to detect it will still leave the thief with a profit, hence will not deter theft. Any thoughtful legal scholar or law student could offer more examples of such problems.

The second difficulty with the idea of deriving law from philosophy is that it ignores the problem of making it in the interest of courts to follow that law. In market anarchy, courts and rights-enforcement agencies are private businesses. They can be expected, like private businesses in our

¹² Rothbard, Murray N. [1965]. "The Spooner-Tucker Doctrine: An Economist's View," reprinted in *Egalitarianism as a Revolt Against Nature and Other Essays*, pp. 205-218. Auburn, AL: Ludwig von Mises Institute, 2000.

¹³ An extended discussion of the issue from Rothbard's *The Ethics of Liberty* has been excerpted and webbed on the Mises Institute site. Readers may decide for themselves whether they disagree with my claim that it offers no convincing defense of his position. <https://mises.org/library/punishment-and-proportionality-0>.

society today, to try to maximize their profits. Rothbard seems to be assuming that, once the philosophers have determined what the law should be, everyone else will choose to accept it. That might make sense if one believes both that philosophers can convincingly show what is right and that moral arguments are so powerful that, once what is right is shown, practically everyone will choose to act accordingly. Neither belief fits my observations.

I have a different solution to the problem of producing libertarian law in a market anarchist society, one which makes use of the self-interest of the courts and their customers rather than ignoring it. In my version of anarcho-capitalism, each individual is the customer of a rights enforcement agency that sells him the service of protecting his rights and arranging for his disputes to be settled. Each pair of rights enforcement agencies whose customers might interact agrees in advance on a private court and agrees to accept its verdict in conflicts between their customers. The agreement is enforced by the fact that they are repeat players — if my agency refuses to go along with a judgement against its customer today, yours will act similarly tomorrow. Fighting is more expensive than litigating and produces less predictable outcomes, so both agencies will prefer to keep the agreement.

Private courts are profit-maximizing businesses, so will want to produce the system of legal rules and procedures that rights-enforcement agencies will want to buy. Rights-enforcement agencies are profit maximizing businesses, so will want to use courts with rules and procedures that their customers want to live under. It follows that the private courts will want to produce legal rules that individuals want to live under, just as private firms in our society want to produce products that their customers want to buy.

In our present political system politicians similarly want to pass laws that voters approve of, but the voter is neither able to observe and compare alternative legal systems nor to choose among them, since his vote has a near zero chance of affecting the outcome of an election. It follows that voters will be, are, rationally ignorant, it being rational not to acquire information that costs more than it is worth.

Under market anarchy, the individual can see how the legal rules of different private courts are working out and can choose among them by his choice of what rights enforcement agency to hire. He cannot, of course, have unlimited choice, since they have to be rules that some agency is willing to offer and others to accept, but he has much more control, hence more reason to make an informed choice, than in our system. Hence we would expect the market for law to produce better law than the government produces just as the market for cars produces better cars.

It follows that the laws produced under market anarchy will tend to be welfare maximizing ones.¹⁴ If libertarian views are correct, those will tend to be libertarian — liberty works. The cost to me of your being able to violate my rights is almost always greater than the benefit to you. There is no guarantee that the legal system will be perfectly libertarian, there being no way to guarantee the outcome of any set of institutions. But the reasons to expect the laws to be reasonably libertarian depend neither on philosophers solving the problem of deducing what ought to be from what is nor on courts and enforcement agencies acting on philosophy rather than self interest. Only on economics.

¹⁴ Technically, economically efficient. An explanation of exactly what that means can be found in several of my books: *The Machinery of Freedom*, *Law's Order*, *Hidden Order*, and *Price Theory*.

For a much more detailed version of this argument, see my *The Machinery of Freedom*,¹⁵ especially part III (any edition) and Chapter 54 (third edition).

So far as I know, Rothbard never commented on the difference between my mechanism for producing libertarian law and his. He did comment briefly, in at least one of his writings, on the fact that in my system different courts might enforce different laws, but not on my argument for why the outcome of such a market for legal rules would be libertarian.

Rothbard writes:

Within the anarchist camp, there has been much dispute on whether the private courts would have to be bound by a basic, common law code. Ingenious attempts have been made to work out a system where the laws or standards of decision-making by the courts would differ completely from one to another.⁷ [footnote to my *Machinery of Freedom*] But in my view all would have to abide by the basic law code, in particular, prohibition of aggression against person and property, in order to fulfill our definition of anarchism as a system which provides no legal sanction for such aggression.¹⁶

That is proof by definition, an evasion of the problem of how to get courts to follow libertarian law. If, after Rothbard sets up his system, courts adopt rules that permit aggression, he gets to announce that it isn't, by his definition, anarchism. That has no effect on what the courts do, since the system is not going to be ruled by Rothbard.

If you find his argument convincing, imagine the same argument by someone on the other side. He explains that what he is in favor of is not statism in general but a particular form of statism — "Just-Stateism." You ask why he expects the state to act justly. He responds that his state must act justly because if it did not it would not be Just-Stateism.

Rothbard and Rand

Reading Rothbard's articles, I was struck by how similar his style and approach were to Ayn Rand's. They disagreed on some important issues, most notably anarchism and foreign policy. But they were both arrogantly certain of their positions, argued them with highly emotive language, believed that their natural rights position could be rigorously derived by reason along Aristotelian lines. Both saw political conflict as fundamentally good against evil. Both expected their followers to accept their current line without question.

Early on, Rothbard was an admirer of Rand, joining her circle and writing effusive praise of *Atlas Shrugged*. That did not last. He left her circle, ceased writing of her with admiration, eventually wrote a one-act play satirizing her and her followers. There was not enough room for two captains in one boat.

So far as I know, nobody has yet written a book about Rand and Rothbard, their similarities, differences, and interactions. Someone should.

¹⁵ The second edition is available for free from my web page.

¹⁶ <https://mises.org/library/society-without-state>