

Arguments with Interesting Leftists

Which Side Are You On? Robert Wolff, Murray Rothbard, and Me

I spent two days in 2013 in a conference at Duke University on Community and Emergent Order in Non-State Spaces. One of the other participants was Robert Wolff, who published his *In Defense of Anarchism* a year or two before I published my *Machinery of Freedom*. I found his presentation, and especially what it implied about the difference between his views and mine, one of the most interesting parts of the conference.

Wolff considers himself a left anarchist and a Marxist. He described the difference between us as the difference between two movie tropes — the self-sufficient western loner who comes into town to clean it up, seen as symbolizing the propertarian anarchist, and an Amish barn raising for the communitarian anarchist.

There are two obvious problems with that. The first is that I, like most individualist anarchists, have nothing against the Amish barn raising, indeed see that sort of voluntary cooperation as an important and attractive feature of the kind of society we want. The second is that the actual Amish are both propertarian and communitarian. The barn will end up as the private property of the farmer on whose land it is being raised.

The real difference, as best I could tell, is something quite different. Wolff described how, as a professor of philosophy at Columbia during the student riots there, he had been trying and failing to find a philosophical derivation of ethics in the work of Kant, an argument showing what was good or bad, what one should or should not do. His conclusion was that if Kant could not do it, it could not be done, leaving him with no intellectually satisfactory way of answering the important questions. The solution to that problem was provided to him by one of the student revolutionaries, one he thought was almost certainly a communist, who told him that he did not need a philosophical derivation of ethics. All he needed was to decide which side he was on.

Wolff eventually concluded that the student was right. He did not go into details, but pretty clearly the way he saw it was that he was on the side of the workers, the South African blacks, the oppressed of the earth against their oppressors. There was still room for disagreement among those on his side of the barricades, but the essential problem was solved.

There are problems with that solution. In his comments on my talk the previous day — the recording is webbed,¹ but it may be hard to hear the questions — he indignantly rejected the idea that one could judge the effects of capitalism by comparing it to the major non-capitalist societies of the 20th century, the Soviet Union and its allies. But his communist student would probably, judging by the ones I knew at the time, have been a supporter of either the Soviet Union or Communist China. If the only question was which side he was on and he accepted the student's answer, as pretty clearly he did, that put him on the same side of the barricades as states that murdered millions of those they ruled and held hundreds of millions at a level of poverty compared to which the bottom third of the U.S. income distribution, whose misery he had offered the previous day as evidence of the horrors of capitalism, live in luxury

¹ <http://www.daviddfriedman.com/MyTalks/Vinge.mp3>

I concluded that his fundamental disagreement with me was the same as Murray Rothbard's, which I discussed in Chapter XXX. Rothbard, in an old essay,² claimed that what was wrong with me was that I did not hate the state, that I regarded those who disagreed with my libertarian views not as evil but merely as mistaken

My response to Wolff, as to him, was that the fundamental question is not which side you are on. For many, although not all, political questions, the right answer is the same for almost everyone. The fundamental question is what is the right answer.

Is my extreme version of free market capitalism better or worse than the mixed economies that are currently the norm of the developed world? Are they better or worse than some alternative set of institutions? There may be some issues for which there is an irresolvable conflict of interest, where one large group of people are better off with one answer and a different group with another. But on most of the big issues almost all of us should support about the same policies — if only we could agree on what the consequences of the alternatives would be. I have never met a socialist who was in favor of what I think the consequences of socialism would be, and I doubt there are many libertarians who would approve of what a socialist thinks the consequences of their policies would be.

Wolff commented that my describing him as on the same side as Murray Rothbard was a terrible insult. But it is also true. Both of them chose to see the conflict as between good men and evil men. I see it as between good ideas and bad ideas, where bad ideas are not evil, simply wrong.

In the course of his talk, Wolfe mentioned a conversation he had had in South Africa, during the period of Apartheid, with an intelligent intellectual who supported it. His conclusion was that there was no argument he could offer to prove the other wrong — the supporter of Apartheid was simply evil.

The question I put to him, and I do not think he ever answered, was what the implications would have been if the end of apartheid had set off the sort of blood bath that decolonization did set off in some of the African states — Nigeria killed about a million people in the process of suppressing the attempt of its Ibo citizens to secede, and several other black African states ended up with bloodshed on a similar scale. It is easy enough to imagine an alternative history in which the shift to one man, one vote in South Africa turned out to be a mistake, as judged by its effect on the South African blacks, the people on whose side Wolff thought he was. It could still happen, although hopefully it won't. If it did, does Wolff have to conclude that he, not the supporter of apartheid, was the evil one?

I had had advance warning of his position, and what was wrong with it, in his comment on my talk. As best I could tell, he simply took it for granted that his view of the facts—that a market system led to massive inequality and miserable conditions for a large part of the human race—was obvious fact, and the only puzzle was how I could be in favor of such things. It did not seem to occur to him that I, or anyone, might disagree about the relevant facts, that the argument might be, not about what outcomes we wanted, but about what outcomes followed from one or another set of institutions.

What made that approach more striking and, to me, more obviously wrong, was the earlier talk of another speaker, the science fiction writer Kim Stanley Robinson, who appeared to share a good deal of Wolff's view of the world. The picture he painted struck me as a highly colored cartoon

² <https://mises.org/library/do-you-hate-state>

view of the world, inconsistent with obvious facts. He talked (I am pretty sure I am not confusing him with one of the other speakers with similar views—if I am, it does not affect my point) about how vampire capitalism focused investment on one low wage nation after another, draining it dry and then moving on when wages got high enough to make further exploitation unprofitable.

It did not appear to occur to him that moving a country from low wages to high was a good thing, not a bad thing, nor that the countries supposedly “drained dry,” presumably including South Korea, Taiwan, Singapore and, a decade or two earlier, post-war Germany and Japan, had ended up as developed countries with first world standards of living. Nor did it occur to him to look at where the investors of the developed world actually did their foreign investment — some of it in poor countries with low wage labor, but much of it in other developed countries.

Wolff and Robinson were entertaining speakers and I ended up liking both of them — perhaps some day I can have the opportunity to continue our arguments at greater length. But Wolff, like Rothbard, is wrong, dangerously wrong. He holds a view of the world which, however emotionally satisfying, implies that the essential relation of human beings to each other is that of enemies, a view that has been used to justify some of the worst deeds of the past century. It is, as Orwell pointed out, much easier to defend the liquidation of antisocial elements than to argue in favor of murdering people who disagree with you. If the reason people disagree with you is that they are evil, there is no need to think about whether they might be right and you might be wrong.

James Scott

Some years ago I had a debate on anarchy with James Scott, a writer whose books I find interesting. Robert Ellickson was moderator cum participant. The recording is available on the web.³

I have read two of Scott's books. One, *The Art of Not Being Governed*, is about the existence of extensive stateless areas in South-east Asia over a very long period of time. From the standpoint of the adjacent states, the stateless areas, typically hills, mountains, and swamps, are populated by primitive people who have not yet developed far enough to create or join states — “our ancestors.” By Scott's account, on the other hand, much of the population of the stateless areas is descended from people who were once in states, much of the population of the states from people who were once stateless. The pattern as he sees it was a long term equilibrium based on the difficulty of maintaining a state when population densities are low and transport and communication slow. When a state is doing well it pulls in people, whether voluntary immigrants or the captives of slave raids, from the adjacent stateless areas. When the state is doing badly, the flow of people goes in the other direction, fleeing taxes, conscription, and other benefits of being ruled.

Part of what I found interesting was Scott's discussion of features of stateless areas that make it unprofitable for adjacent states to annex them. To take one small example, wheat or rice is harvested and stored; an invading army can seize it. Root vegetables remain in the ground until they are eaten, so in order for an invader to seize them it has to first find them and dig them up. It was very much an economist's point of view, one that suggested an approach to the question of how a modern anarchist society could avoid annexation by adjacent states that I had not considered. It implies that military defense is only one part of a broader set of solutions.

The other book by Scott that I read was *Seeing Like a State*. Its central theme is the ways in which states have attempted to reorganize societies in order to make them easier to rule, to make the

³ <https://www.youtube.com/watch?v=UXn2FH4hvn4&feature=youtu.be>

territory look more like the rulers' necessarily simplified map. It is harder to rule a country if the people do not all speak the same language. It is harder to tax land if the country contains a wide variety of systems of land tenure and units of measurement. It is harder to keep track of who has or has not been conscripted if there is no uniform and consistent system of names. It may be possible, sometimes has been possible, for a state to change those features of a country in order to make it easier to rule and tax. A secondary theme is the amount of damage that states have done in the process of revising societies to be easier to rule and ruling them.

While it was obvious to the author that his account would be attractive to market libertarians such as myself, he went to some trouble to make it clear that he was not himself one of those icky market libertarians. His part of our recorded exchange may help suggest why.

Another theme that he devotes considerable attention to is what he describes as "high modernism," the belief that modern science lets us figure out how everyone should do things and, once we have figured it out, make them do it that way. Examples include planned cities, Soviet collective farms and attempts by first world agronomists to tell third world peasants what to plant.

Adam Smith had something to say on the subject:

The man of system, on the contrary, is apt to be very wise in his own conceit; and is often so enamoured with the supposed beauty of his own ideal plan of government, that he cannot suffer the smallest deviation from any part of it. He goes on to establish it completely and in all its parts, without any regard either to the great interests, or to the strong prejudices which may oppose it. He seems to imagine that he can arrange the different members of a great society with as much ease as the hand arranges the different pieces upon a chess-board. He does not consider that the pieces upon the chess-board have no other principle of motion besides that which the hand impresses upon them; but that, in the great chess-board of human society, every single piece has a principle of motion of its own, altogether different from that which the legislature might choose to impress upon it.

My Response to a Non-Libertarian FAQ

A long time ago, a blogger I think highly of wrote a non-libertarian faq.⁴ Some years after it was written I came across it and responded by email. He replied, I replied, and I eventually got around to converting the exchange to a web page.⁵ These are some of what I think the more interesting points. To reduce confusion as to who is speaking, I am putting quotes from the FAQ and its author's responses to me in italics.

Scott correctly explains declining marginal utility of income, then incorrectly writes:

50% of what a person with \$10,000 makes is more valuable to her than 50% of what a billionaire makes is to the billionaire.

Progressive taxation is an attempt to tax everyone equally, not by lump sum or by percentage, but by burden. Just as taking extra movie tickets away from the person with a thousand is more fair

⁴ Webbed, as of 2020, at <https://slatestarcodex.com/2017/02/22/repost-the-non-libertarian-faq/>

⁵ <http://www.daviddfriedman.com/Miscellaneous/My%20Response%20to%20a%20Non-Libertarian%20faq.html>
Someone else webbed a much longer reply to the same faq at: <https://artir.wordpress.com/2016/03/24/nlibertarianfaq/>
I also have a detailed response to another faq critical of libertarianism at:
http://www.daviddfriedman.com/Libertarian/response_to_huben.html

than taking some away from the person with only two, so we tax the rich at a higher rate because a proportionate amount of money has less marginal value to them.

If you work through the mathematics of your declining marginal utility argument for progressive taxation, you will discover that it is only an argument against lump sum taxation. It is easy enough to write a utility function with declining marginal utility for which the utility of the second half of an income of \$100,000 is greater than the utility of the second half of an income of \$50,000; utility per dollar is lower, but the second half contains twice as many dollars. For any structure of taxes more progressive than a lump sum tax, including a flat tax, there is some utility function consistent with declining marginal utility for which that structure imposes a larger utility cost on higher income taxpayers.

Declining marginal utility can support a utilitarian argument for progressive taxation; an equal burden argument requires a stronger assumption, how strong depending on how steeply graduated the taxation is. You get equal burden from a flat tax, each taxpayer paying the same fraction of his income, if utility equals the logarithm of income, making marginal utility inverse to income.⁶ The proof, as the books say, is left as an exercise for the reader.

Scott sketches the libertarian argument that proprietary communities provide a solution to market failure problems and then writes:

... convincing every single person in a town of thousands to join the neighborhood association would be near impossible, and all it would take would be a single holdout who starts raising wasps and all your work is useless. Better, perhaps, to start a new town on your own land with a pre-existing agreement that before you're allowed to move in you must belong to the association and follow its rules. You could even collect dues from the members of this agreement to help pay for the people you'd need to enforce it.

But in this case, you're not coming up with a clever libertarian way around government, you're just reinventing the concept of government.

I responded by pointing him at an old piece of mine, "Capitalist Trucks,"⁷ where I argued that there are reasons to expect a proprietary community to be better than a government just as there are reasons to expect trucks built in a capitalist society to be better than trucks built in a communist society, even though both are trucks.

He responded:

Let's consider civic governance.

Right now, we have lots of towns, all of which have different laws. People have the right to move between towns whenever they want. Yes, the federal government places many restrictions on what towns can or can't do, but there's still a wide space of possible regulation regimes towns can go with.

How is this different from the situation you're recommending?

⁶ More generally, let $U=A+B\ln(I)$.

⁷ http://davidfriedman.com/Libertarian/Capitalist_Trucks.html

To begin with, the towns came into existence through a process less likely to produce optimal design than the process by which proprietary communities came into existence, the point of my piece. Insofar as you accept that argument, the size of proprietary communities gives at least a little evidence on the optimal size for such institutions — imperfect because they are not producing all of the same services. That evidence suggests that even most local governments are way above optimal size. Beyond that, I'm under a local government under a county government under a state government under a national government, with size and costs of moving increasing as you go up that hierarchy.

That said, competition among governments at various levels does limit how bad a job they can do.

I don't disagree with you about the capitalist trucks, but a few caveats.

First, this works exactly once, while housing is first being built. That is, if I want to avoid having something bad within a one mile radius, there is no way this is going to be do-able in New York City, which already exists, is already inhabited, and is already divided into tiny mostly-single-building fiefdoms.

Second, even though this should happen in real life it almost never does. I have looked high and low for apartment buildings that promise draconian noise restrictions - let alone ones that promise draconian noise restrictions plus have a third-party certification that they comply - and they just don't exist. That is the absolute simplest test case of this kind of thing.

You are assuming that there are enough people who share that particular taste to make it worth producing such a product. I am not sure to what extent producing it is made more difficult by restrictions in the legal system on the ability of a landlord to evict tenants — that would depend on where you were looking.

I would argue that even gated communities don't really meet this standard - the active ingredient there seems to be filtering out the usually-more-rowdy poor people, through high land prices. Why aren't there "gated communities" for poor people, where the houses may not be the nicest, but the poor people pay a (small) premium to live somewhere where they know more rules will be enforced and they're not going to have to hang out with drug dealers and grafitti-sprayers all the time? If the answer is "poor people can't pay enough money to support voluntary fiefdom rule enforcement", then this is a big problem with using voluntary fiefdom rule enforcement to maintain quality of life.

Third, the difficulty of implementing this solution scales more than linearly with size. Gated communities of a few hundred homes are pretty easy to fiefdomify. If air pollution is a function of number of factories in a fifty-mile radius, you're going to need individual capitalists to have fifty mile urban fiefdoms, which is stretching credulity.

Yes. I agree that market failure problems mean that a pure market system does a suboptimal job of dealing with some problems. But having a government tends to make the problem worse, not better, since the conditions that lead to market failure are a special case in the private market, the norm in the political market. I am not a utopian. In *Machinery* I describe situations in which my ideal institutions (a competitive market for law and rights enforcement) could produce unlibertarian law.

Fourth, in practice a lot of house-getting is based on "somewhere cheap enough I can afford, close to the one good job I can get, which is up for sale in the two weeks I have between jobs which is

the longest period I can afford not to be working". This isn't really conducive to intentional communities.

It's a whole lot more conducive to producing optimality by market mechanisms than by political mechanisms, where your opportunity for choice is much less. And I think you are underestimating the range of alternatives available to most people, not in the context of a week but of years. Populations do shift.

Compare also to the claim "All US states have pretty good governance, because it is easy to migrate to a state with better governance." I'm not very sure what's wrong with this argument (possibly transaction costs?) but something certainly is.

That depends on how bad you think things would be absent that constraint.

And what kind of legal or cultural changes would be necessary to move from here to the situation you're recommending (other than decreasing the amount of federal law so as to increase the space in which town law can vary)?

I'm an anarchist, so the full change required is substantial. Expanding on that requires a book, not, I think, an email conversation.

Scott later read *The Machinery of Freedom* and posted a friendly but critical review on his blog.⁸

"None of this wealth has trickled down to the poor and none of it ever will, as the past thirty years of economic history have repeatedly and decisively demolished the "trickle-down" concept."

I am puzzled as to how you could possibly know that this is true, given the lack of a parallel universe in which the wealthy were somehow prevented from getting rich and we could observe the effect on the poor.

I believe that, as the term "trickle down" suggests, the theory and the name were invented by people attributing it to their opponents. On the other hand, fairly straightforward economic analysis suggests that increasing the stock of capital will tend to decrease the marginal productivity of capital and increase that of labor, hence will tend to raise wages and lower interest rates.

I'm sure you're aware that the share of income/wealth held by the bottom 90% is declining precipitously compared to that held by the top 10%, especially in comparison to past eras. By my understanding this trend accelerated around the time trickle-down economics started.

I don't know at what time you think "trickle-down economics" started, or even what you think it is. I believe the term was invented about eighty years ago by people on the left and attributed to people on the right.

I understand that correlation is not necessarily causation, but you have to admit that as far as empirical results go it's hard to imagine ones that would have supported the "trickle-down doesn't work" hypothesis more conclusively.

I assume the hypothesis is that rising incomes for high income people result in higher incomes for other people. You can't reject that by observing that incomes became more unequal. The question is whether incomes in lower parts of the distribution would have been higher or lower if something had prevented the rise in incomes at the higher part, which you have no evidence on.

⁸ <https://slatestarcodex.com/2015/03/18/book-review-the-machinery-of-freedom/>

Let me suggest an alternative explanation of the pattern you describe, the explanation that Charles Murray has been implying.⁹ On his evidence, people in the upper part of the income distribution continue to display roughly the same pattern of behavior that most of the population displayed in the post WWII period. Most people get married. Most stay married for long periods of time. Children are mostly raised by two parents. Most people get jobs, attempt to maintain careers, save money. But in the lower part of the distribution the pattern has shifted radically away from that. So we have a functional social structure at the high end, disfunctional at the low end.

I don't know if it is right, but it makes more causal sense than "the rich got lots richer, the poor got only a little richer, and that must be because the rich were hogging all the money that otherwise would have gone to the poor," which does not have any obvious causal structure at all.

Let me offer a third explanation, based on data. From the end of WWII to the beginning of the War on Poverty, the poverty rate, definition held constant, fell sharply. Since the War on Poverty got fully funded and operating, the poverty rate, definition held constant, has been roughly fixed, going up and down with general economic conditions. That suggests that the expansion of the welfare state had the opposite of its intended purpose. It was supposed to get people out of poverty, to make them self-sustaining. It actually made poverty a little less unpleasant and so somewhat reduced the pressure to struggle out of it. As Murray describes in *Losing Ground*, the original purpose proved unachievable, so was abandoned.

And, for a fourth explanation having little to do with either side of political controversy, perhaps what happened was that as more and more low skilled jobs became doable by machinery, the premium to high intelligence, education, various related characteristics, rose. Putting claims in terms of wealth, especially if limited to things like stocks and bonds and doesn't include housing and pension funds, focuses attention on the very top of the distribution. I believe that if you look at income, it's not the multi-billionaires who drive the pattern but the doctors and lawyers and techies, of whom there are a lot more.

Scott offered, as an example of the benefit of government regulation:

"According to estimates, seatbelts save about 11,000 lives a year in the US."

Are you familiar with Peltzman's classic article on the subject?¹⁰ Do your estimates assume a fixed rate of accidents and base their calculation on the effect on deaths per accident? You can probably see why that is wrong.

Regarding seatbelts and Peltzman effect, I find Levitt's arguments convincing. See <http://freakonomics.com/2006/12/09/the-difference-between-theoretically-possible-and-important/>

Peltzman analyzed data. His conclusion, for a particular set of mandatory safety requirements, was that they increased the accident rate by about as much as they decreased the deaths per accident, leaving the total death rate about the same. Whether that is true for seatbelts in particular I don't know. My point was that I suspected the figure you gave was based on the same error that Peltzman pointed out — ignoring the effect on the accident rate.

Levitt has the economic implication wrong. The Peltzman effect doesn't imply that one should not wear a seatbelt or that seatbelts don't provide benefits, merely that people take some of the benefit

⁹ In *Coming Apart: The State of White America, 1960–2010*.

¹⁰ "The Effects of Automobile Safety Regulations", JPE 83, 677-725

in forms such as faster driving that have the down side of making accidents more likely. Tullock wasn't recommending his solution, he was using it as a *reductio ad absurdum* of the idea of minimizing traffic deaths as the ultimate objective.

You might also be interested in another classic article by Peltzman, this time on drug regulation.¹¹ His conclusion was that one piece of legislation increasing FDA requirements for approving a new drug cut the rate of introduction of new medical drugs in half while having no detectable effect on average quality. If that is correct, it would take a lot of positive effects of regulation to balance the cost.

Scott sketches the argument that free exchange is always in the benefit of the parties starting with “In a free market, all trade has to be voluntary, so you will never agree to a trade unless it benefits you,” and responds:

“This treats the world as a series of producer-consumer dyads instead of as a system in which every transaction affects everyone else.”

I don't know how much attention you have paid to price theory. In a simplified model (no externalities, public good problems, etc.) you really can treat the world that way, because the net marginal effect of my transaction with you on third parties is zero. Most of the libertarians you are likely to encounter online are not trained in economics and couldn't adequately explain the argument, but their view is closer to correct than the view held by almost everyone who is neither a libertarian nor an economist, according to which the benefits and costs of ordinary market transactions go mainly to third parties. That's the view that makes it natural to take it for granted that schooling should be provided for free because it makes people more productive or that buying a car made in America instead of one made in Japan makes Americans better off.

He answered:

I'm unclear what you mean to do by talking about how "in a simplified model (no externalities, public good problems, etc.) you really can treat the world that way". I agree that the only problem with that model is externalities, public goods, etc, which is why I'm focusing on them.

My point is that interdependence by itself doesn't prevent the simple libertarian model, in which each person controls his own life, from making sense. Absent economic theory it seems to prevent it, since I depend for what I do on interactions with lots of other people. Prices and property solve that problem because, in first approximation (ignoring the market failure problems), what I sell things for exactly measures their value to those who get them (price=Marginal value), the price I buy them for exactly measures the cost to the producer (price=marginal cost), so I am bearing the net costs of my life on others, receiving the net benefits of my life for others.

Just as if each person was entirely self sufficient, but in a complicated and interdependent world.

Beyond the first approximation the conclusion breaks down, for the sort of reasons you point out. It would in a self sufficient world too — the deer I shoot might be one you would have shot tomorrow. But considered as a mechanism for getting the right things to happen, for giving actors incentives compatible with the general welfare, it comes much closer than the political alternative,

¹¹ S. Peltzman, “An Evaluation of Consumer Protection Legislation: 1962 Drug Amendments.” *Journal of Political Economy* 81(5), 1049-1091.

where individual actors bear almost none of the costs of their acts and receive almost none of the benefits.

A good deal of your argument consists of pointing out that there might be, probably have been, situations where particular government regulations did net good, which is true. But we don't have the option of only giving governments power to do good. In choosing among possible institutional structures, the question is whether, on net, government power makes us better off or worse off. You offer an *a priori* argument (market failure) for why the laissez-faire market that libertarians support sometimes produces a suboptimal outcome, one worse than what could be produced by a wise, benevolent, and all powerful philosopher king, which is correct. I offer an *a priori* argument for why the same logic that implies that also implies that the outcome produced by the political market will typically be farther from the optimal.

The non *a priori* argument is hard, since it involves comparing alternative realities only one of which is there to be looked at. If I am correct in thinking that a modern stateless society with reasonably good rights protection is practical, obviously a debatable claim, I suggest that all of the sorts of benefits you describe, added up, come to less than the utility cost of immigration restrictions. Maybe even less than the utility cost of the War on Drugs.

Scott wrote:

“As far as I know there is no loophole-free way to protect a community against externalities besides government and things that are functionally identical to it.”

Unfortunately, the statement is still true if you drop the last ten words.