How Not to Defend the Market: A Critique of Easton, Miron, Bovard, Friedman and Boudreaux

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DID YOU EVER HEAR the phrase, "With friends like that, who needs enemies?" This aphorism applies to several "defenses" of the free enterprise system we could all richly do without. In section one we consider an invalid argument for legalizing addictive drugs. Section two is given over to an analysis of foreign aid, from this perspective. The purpose of section three is to critically examine an argument in favor of the voluntary military. We conclude in section four.

1. Drug Legalization Raises Taxes

First up in the batters' box in this regard is the move on the part of some self styled "libertarians" to try and legalize drugs. Now, nothing could be more consistent with the freedom philosophy than to end the unjust incarceration of innocents in this victimless crime of adults putting controlled substances into their bodies. Surely, no libertarian could quarrel with this goal.

But what pray tell are we to make of the following statement "If we treat marijuana like any other commodity we can tax it, regulate it, and use the resources the industry generates rather than continue a war against consumption and production that has long since been lost. . . ." But this is highly problematic. Surely, for the libertarian,

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¹ http://www.fraserinstitute.org/research-news/news/display.aspx?id= 11726; http://web.archive.org/web/20050920161257/http://economics.about.com/od/incometaxestaxcuts/a/marijuana.htm; see, more generally,

governments the world over already have far too much of our money in their coffers. Thus, this is an argument, difficult as it is for me to say this, in *favor* of our present regime of drug prohibition. I do not, of course, argue in behalf of the present drug war.³ No one could say this and still remain a libertarian.⁴

But, equally true, welcoming more revenue for government is *also* incompatible with economic liberty. And this applies not merely to anarcho capitalists, but to minarchists⁵ as well. For the essence of this latter philosophical stance is that out of control government must be reined in, and its powers limited to defense of person and property. But, as of the time of this writing, state expenditures and involvement in the economy surpass any such levels by a gargantuan amount. Therefore, to urge a policy, such as drug legalization on the ground that government revenues will rise is incompatible, even, with the limited government perspective.

Easton, 2005, Bula, 2005. While no one can claim that the *Vancouver Sun* editorial page is or claims to be libertarian, the same cannot be said of Easton. See in this regard Easton, 1990, 1992; Easton and Walker, 1992.

One issue in this debate is the effect of marijuana prohibition on government budgets. Prohibition entails direct enforcement costs, and prohibition prevents taxation of marijuana production and sale. If marijuana were legal, enforcement costs would be zero and governments could levy taxes on the production and sale of marijuana. Thus, government expenditure would decline and tax revenue would increase. A key question is the magnitude of these budgetary impacts.

Miron's libertarian credentials are unknown to me, but his web page lists this political economic philosophy as one of his "areas of expertise" (http://web.archive.org/web/20050205002224/econ.bu.edu/miron/).

² Another statement along these lines is provided by Miron, 2005:

³ Block, Wingfield and Whitehead, 2003; Cussen and Block, 2000; Block, 1993, 1996.

⁴ At least on this one issue. It is logically possible, although highly implausible, that a person could take libertarian positions on all issues with the exception of this one. How should such a man be described? As a partial or semi libertarian? I would characterize him as a libertarian on all issues except this one.

⁵ Those who favor a strictly limited government. Here, the state typically has but one function, the protection of persons and property of its domestic citizens. To that end the only institutions that are justified are defensive armies positions on all issues with the exception of this one. How should such a man be described? As a partial or semi libertarian? I would characterize him as a libertarian on all issues except this one.

It is one thing to urge legalization even though, despite the fact that, government revenues will necessarily rise. It is even possible, barely possible, for a libertarian in good standing to mention this as an inevitable result in an attempt to convince those on the fence on this issue to drop off it onto the legalization side. This is skirting the edges of libertarianism. But in a big tent understanding of this philosophy, it is possible to reconcile such a course of action with libertarianism. But the initiative under consideration does none of these things. Instead, in a blatant violation of principle, it acquiesces in, nay, welcomes the expansion of state coffers. Call this what you will, it is unclear how this can be fairly characterized as libertarian.

2. Foreign Aid

In like manner Bovard (2005) makes a thorough and even inspired case against foreign aid. However, in the course of so doing he (2005, emphasis added by present author) states:

Like other foreign aid programs, applying for a Millennium Challenge Account means foreign government officials jumping through Washington hoops. MCA chief Paul Applegarth explained the process: "I will sit down with a head of state and they'll wave around their country rating sheet, and so you know they're thinking about, in terms of policy, where they're passing and failing." Unfortunately, gratifying Washington bureaucrats is not the same thing as achieving economic development. "Sixteen nations were selected last year to submit applications to receive MCA aid. The announcement set off a frenzy of grant writing. The Armenian government prepared over 200 separate proposals on how it could use MCA money—far more projects at far higher price tags than the U.S. will fund for all applicants. It illustrated how foreign aid can undermine scarce government efficacy: How much time or resources did Armenian bureaucrats waste drawing up their unrealistic applications? Perhaps they could have been doing something more useful?⁶

But these last two sentences constitute an argument in *favor* of foreign aid!⁷ Surely it is a *benefit* of this particular program that thousands of bureaucrat man-hours will be wasted in this needless filling

⁶ Bovard's libertarian credentials are impeccable, of long duration and bespeak energy, determination and brilliance. See on this http://www.fff.org/aboutUs/bios/jxb.asp; http://www.jimbovard.com/; http://web.archive.org/web/20051218065213/http://www.palgrave-usa.com/blog/blogindex.aspx?author=bovard Indeed, I am a great fan of his. I hope and trust he will forgive me for pointing out this one error of his.

⁷ Peter Bauer has throughout his entire career warned against the pejorative use of this phraseology on the ground that they are really government to

out of forms. If some Keynesian were to advocate that these mandarins, instead of drowning in this contrived paper work, were to dig holes and fill them up again, in an attempt to spur on the economy, that would be equally salutary.

For if they were not doing either of these things, the minions of the state would be busily writing up new laws, thinking of new ways to attack profits and enterprise, regulating businessmen, raising taxes, demanding payoffs, and doing the 1,001 other things for which they have justly become infamous.

We ought to *applaud* this waste of time spent filling out "foreign aid" forms (and/or digging up holes and filling them in again) rather than denigrate it, as does Bovard. This author is insightful when it comes to the evils of foreign "aid," but woefully inadequate as to the true contribution to the economy made by the bureaucrats: it is a *negative* one, and the less we have of them and their ilk the better off is the entire economy.

Lest I again be misunderstood, let me state loud and clear that I oppose "foreign aid." The money goes mainly toward the three "M's": Mercedes for the rulers to ride around in; machine guns for their often committed mass murders, and monuments, whether statues of the ruler or industries (steel mills, airlines) that the dictator can point to, but which produce products at a multiple of the cost it would take to import them. Then, too, since such funding is aimed at countries in the direst of plights, this actually gives third world dictators a financial incentive to purposefully ruin their own countries. For the government to government transfer of money necessary goes through their own hands, and much of it into their own personal Swiss bank accounts. Were they to adopt the policies of a Smith (1776), a Mises (1981), or a Rothbard (1978), they might well⁸ be personally more

government transfers of funds. This is a preferable term for the phenomenon since it is descriptive and morally neutral; in contrast, "foreign aid" presupposes actual benefits and may or may not eventuate. This is like prejudging an issue, or putting ones thumb on the balance. And, as Bauer's research has shown again and again, these financial transfers actually retard economic development, not promote it. For the case that this international busybodiness actually retards economic development, see Bauer, 1981, 1982, 1984, 1987, 1991; Bauer and Yamey, 1957; Castle, 1957; Loeber, 1961; McNeill, 1981; Riddell, 1987; Rothbard, 1958; Thornton, 2002; Tucker, 1997; Vance, 2000.

⁸ This is an empirical question. It depends upon whether the funds they could secretly deposit on their own account from donor nations would be greater than the additional taxes they could mulct from their citizens were they to pursue a more laissez faire economic policy.

impecunious than otherwise, since they would not have access to these funds. And how do they actually ruin their national economies: by raising taxes, support for socialism, land grabs (dispossessing productive white farmers leads to starvation, promotes more "foreign aid," enriches the dictator personally.

Under laissez faire capitalism, it matters relatively little which tribal group forms the government. But "foreign aid," while a miniscule proportion of the G.D.P. of the donor country, constitutes a very high percentage of that of the recipient. Given the one of the M's is machine guns, and other such equipment, it become a literal matter of life and death which tribe takes over the government, and hence receives this largesse. Thus, "foreign aid" inevitably exacerbates tribal war, to the utter detriment of economic development of these hapless nations.

One last evil result of "foreign aid" must be mentioned to protect me from the charge of favoring this system. With a regime of economic freedom, the "best and the brightest" of the young people in these impoverished lands would naturally be drawn into occupations most needed by the citizenry: engineers, doctor, veterinarians, farmers, mechanics, etc. But, when a recipient country is awash in vast amounts of "foreign aid," the "invisible hand" of Smith (1776) leads the youth in entirely different directions: toward those occupations which will enable these young people to seize some of these funds for themselves: bureaucrat, lawyer, etc. That this does nothing for economic development, indeed, the very opposite is the case, is easy to see.

So, while I oppose "foreign aid" on humanitarian grounds, if have it we must, the Millennium Challenge Account aspect of these programs is to be *welcomed*. For it will keep bureaucrats buried in mounds of paper, and they will be less able, thereby, to ruin their economies.

3. The Voluntary Military

The issue to which we now turn is the volunteer military. Here, too, there can be bad reasons for favoring an institution that in all other ways is compatible with libertarianism. To wit, if the purpose, the goal behind, the animating force of, ending the draft is to promote U.S. imperialism abroad, then the libertarian must consider this an argument *against* taking that otherwise very libertarian step.

Suppose that there is a Nazi concentration camp, but that the guards, torturers and murderers posted there were all drafted. However, they don't really have their hearts in their jobs. Rather,

they slack off; whip too softly, allow inmates to escape, out of pity, morality, whatever. There is a group, staunch Nazis, who cannot abide such soft-heartedness. They mobilize a movement to change the staffing of the concentration camp not to a voluntary military, but, to, as it were, to a voluntary "torturary." Are we as libertarians compelled to join this effort? Must we label it as "libertarian?" No, we must not (Block, 1969). The very opposite, indeed.

A similar analysis applies to the U.S. war of aggression against Viet Nam. Let us stipulate arguendo that this was an unjustified war. Then, it is *not* a libertarian initiative to try to better promote this act by substituting a volunteer military for a draft. Why might the former better enable the U.S. to more effectively pursue this war? For one thing, it is not until the body bags start coming back to America filled with graduates from Harvard, Yale, Princeton and Stanford, etc., that people in the U.S. will effectively demand an end to the war. For another, ceteris paribus, the usual assumption is that free men will fight better than slaves.

Do I advocate a military draft? I most certainly do not. It, too, is an attack on innocents, and one evil does not justify another. For a libertarian, there are no positive obligations. Students at elite universities are innocent, even though they only protest unjustified U.S. invasions abroad when their own lives are at stake.

The people most active in promoting the voluntary military during this sad epoch in our country's history were associated with the supposedly freedom loving economics department at the University of Chicago, and led by Milton Friedman, self styled libertarian.

The U.S. invasion of Viet Nam took place between 1960–1975. Advocacy of the voluntary military during that decade and a half include Friedman (1967) and Oi (1967a, 1967b). But most egregious in this regard is Boudreaux (1993) since he most explicitly advocated the voluntary military as the most efficient means of waging an unjustified war.

States Boudreaux (1993, emphasis added by present author):

Operation Desert Storm is considered to be one of the American military's greatest victories. The goal given by the United Nations was to drive Saddam Hussein's troops out of Kuwait. *Regardless of one's opinion of the scope of this goal or of the propriety of United States military involvement in foreign nations,* the fact is that American armed forces accomplished their task. They did so completely, unambiguously, quickly, and with very little loss of life. Americans should be especially grateful for this last fact.

There are several problems in this passage, at least for the libertarian. First, why should we accept the validity of the *United Nations*

of all institutions, setting the goal for the United States? Is not the latter a sovereign nation, or has world government, with U.N. at its head, suddenly taken power over all the countries of the earth? It is highly problematic, from the libertarian perspective, to engage in any act solely because the United Nations has sanctioned it. Surely, it would behoove the libertarian to ask whether this was a *defensive* war or not. If then there is a prima facie case that it is justified; if so, not, then not. In the event, Iraq's attack on Kuwait cannot with any stretch of the imagination properly be construed as an invasion of the U.S., or even a precursor or such. The domino theory, after all, has to have *some* limits.

Second, we simply cannot, as libertarians, ignore "the scope of this goal or of the propriety of United States military involvement in foreign nations." Rather, this is the very crux of the issue. If the U.S. is not justified in undertaking such acts in the first place, then, surely, libertarians would not want them to do so in the most efficient manner possible. Instead, the very opposite would be the case. Hark back to the torturers in the Nazi concentration camp; do we want them to go about their evil business efficaciously? Certainly not. The same analysis applies to any lesser degree of evil, certainly including U.S. military adventurism all around the planet.

Boudreaux (1993) cites Friedman (1967) to the following effect:

 $^{^{\}rm 9}$ Adams, John Quincy. 1821. Fourth of July Speech on U.S. Foreign Policy:

Wherever the standard of freedom and independence has been unfurled, there will [America's] heart, her benedictions, and her prayers be. But she goes not abroad in search of monsters to destroy. She is the well-wisher to the freedom and independence of all. She is the champion and vindicator only of her own. . . . She well knows that, by once enlisting under other banners than her own, were they even the banners of foreign independence, she would involve herself, beyond the power of extrication, in all the wars of interest and intrigue, of individual avarice, envy and ambition, which assume the color and usurp the standard of freedom. The fundamental maxims of her policy would insensibly change from liberty to force. The frontlets upon her brows would no longer beam with the ineffable splendor of freedom and independence; but in its stead would soon be substituted an imperial diadem, flashing in false and tarnished luster the murky radiance of dominion and power. She might become the dictatress of the world; she would no longer be the ruler of her own spirit.

A volunteer army would be manned by people who had chosen a military career rather than, at least partly, by reluctant conscripts anxious only to serve out their term. Aside from the effect on fighting spirit, this would produce a lower turnover in the armed services, saving precious man-hours that are now wasted in training or being trained. Also it would permit intensive training and a higher average level of skill for the men in service; and it would encourage the use of more and better equipment. A smaller, but more highly skilled, technically competent, and better armed force could provide the same or greater military strength.

It cannot be denied that this sounds good, at first glance. Who, after all, would oppose more "fighting spirit" for the army, or more strength on the part of soldiers, which means that each of them, on average, is stronger. Libertarians would, that is who!, at least when we are talking about the *bad* guys. To more easily see this, imagine that Boudreaux and Friedman¹⁰ are not talking about *American* forces, but rather Nazis, or Communists, or Huns, or some other group we stipulate to be evil. Do we really welcome greater power and "fighting spirit" for armed forces allied with the devil? Not at all. The reason this is so difficult to see is that Americans reflexively regard their armed services as always fighting on the right side of the battle.

Even more alarming is the following bit of economic analysis on Boudreaux's (1993) part:

[w]hy does an all-volunteer force "encourage the use of more and better equipment"? The reason is simple. Conscription gives military decision-makers the power to acquire labor at wage rates below those that the military would have to pay in the absence of conscription. That is, decision-makers for a conscripted military get labor on the cheap. Because labor and capital (for example, tanks, better guns and ammunition, more high-tech airplanes) are substitutes for one another, when the price of labor is kept artificially low, military decision-makers use too much labor and too little capital to produce the desired amount of military power.

Consider a simple example. Suppose the top brass of the military agree that there are two ways of ensuring victory in a particular battle. One way is to have 200,000 troops, each armed with rifles, storm an enemy's stronghold. Another way is to have five troops

¹⁰ For a critique of Friedman's well-known credentials as a libertarian, see Block, 2010. As to Boudreaux's, they, too, seem impeccable: http://econfaculty.gmu.edu/boudreaux/index.html

¹¹ Boudreaux is on record as being completely indifferent to whether or not this is the case: "Regardless of one's opinion of the scope of this goal or of the propriety of United States military involvement in foreign nations."

use five highly sophisticated fighter planes with smart bombs to attack the enemy's stronghold. It is not implausible to suggest that the method chosen is the one that will be least costly to military decision-makers (who do, after all, face a finite budget from Congress). Let's say that each fully equipped fighter plane costs \$1 billion, and that each pilot costs \$100,000 to employ. Thus, the total cost of achieving victory by use of fighter planes is \$5,000,500,000. This method will be selected only if it costs military decision-makers less than the cost of achieving victory with the massive-man-power method.

The cost to military decision-makers of the massive-manpower method depends on whether or not conscription is used. Suppose that with conscription the military pays each soldier \$5,000 annually, and that rifles and uniforms cost a total of \$200 per soldier. At this wage rate, it will cost the military \$1,040,000,000 in wages and equipment to achieve victory with the massive-manpower method. Military decision-makers are likely to use the massive-manpower method in battle because it is significantly less expensive to them than using the fighter planes.

But suppose, in the alternative, that conscription is prohibited. Without conscription the military must pay market wages to its soldiers, and market wages will be higher than the wages of conscripts. Suppose that market wages are \$30,000 per soldier. The total bill of achieving victory using the massive-manpower method in the absence of conscription would then be \$6,040,000,000—approximately \$1 billion more than the cost of achieving victory by use of the five fighter planes. Clearly, when military leaders are forced to pay market wages they have a strong incentive to economize on the use of labor by using greater amounts of capital equipment in producing military outcomes.

We can now see why "the use of more and better equipment" is encouraged by an all-volunteer force. Conscription artificially suppresses the price of labor relative to capital and, therefore, military decision-makers will use too little equipment and too many men. The all-volunteer force reverses this unfortunate effect by giving military decision-makers the incentive to "use more and better equipment" along with fewer men and women.

So which is it? Should the military bomb the enemy "back to the stone age" with five airplanes, or send off 200,000 troops armed with rifles? We posit that there will be no deaths to the soldiers in the first case, many in the second. Do *not* think in terms of a justified U.S. force defending against a country initiating aggression against us. Rather, think in terms of America being the *victim* of the aggression, initiated against us by Nazis, communists, or, for that matter,

¹² This figure is calculated by multiplying 200,000 by \$5,200.

Martians. Remember, Boudreaux is on record stating it does not matter one bit which scenario we posit ("regardless . . .").

When looked upon from *this* perspective, it is by no means as clear as might otherwise be thought as to which alternative is preferable, from the libertarian point of view.

4. CONCLUSION

The draft is an unmitigated evil. So are foreign wars of aggression. Each one of these challenges is easy to analyze from the libertarian perspective. Complications arise when we are presented with both, together. Then, matters are by no means so clear. The proper libertarian response, at least the one argued for in this paper, is *not* to end the draft and substitute for it the voluntary military. It is, rather, to oppose *both* the draft *and* the volunteer army, given that the latter will be used for anti-libertarian purposes. Similarly, the issue of drug prohibition and "foreign aid" are a bit more complicated than would first appear.

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