

## CHAPTER 2 — FUNDAMENTALS OF INTERVENTION

### CHAPTER OUTLINE

#### 1. *Types of Intervention*

*Intervention* is the intrusion of aggressive physical force into society. The economic analysis of “private” coercion is the same as government coercion, but we focus on the latter because of its greater prevalence and number of apologists. *Autistic* intervention occurs when the aggressor uses force on an individual such that no one else is affected. *Binary* intervention occurs when the aggressor establishes a hegemonic relationship between himself and the victim. *Triangular* intervention occurs when the aggressor uses force to alter the relations between a pair of subjects.

#### 2. *Direct Effects of Intervention on Utility*

##### A. INTERVENTION AND CONFLICT

In a free market, people only participate in an exchange if they believe they will benefit; thus the market “maximizes” *ex ante* utility of everyone in society. Any intervention, in contrast, increases the utility of the aggressor and necessarily reduces the utility of the affected subjects.

##### B. DEMOCRACY AND THE VOLUNTARY

It is wrong to view State action in a democratic government as “voluntary.” At best, only the *majority* of voters achieve their ends via democracy. Moreover, even the winning voters may have picked the “lesser of two evils.” Note that no one uses such language in describing market purchases.

##### C. UTILITY AND RESISTANCE TO INVASION

It is true that private defense agencies lower the utility experienced by an aggressor. However, the aggressor was himself interfering with the voluntary market by initiating force. It is still true that the free market (even with force-wielding defense agencies) maximizes utility for all of the non-criminals.

##### D. THE ARGUMENT FROM ENVY

One could object that the market does *not* necessarily maximize utility because of envy. For example, it may not be true that a voluntary exchange of money for labor makes the two people better off (at least in their own *ex ante* estimation) and does nothing else; perhaps a third party is disappointed that *he* was not hired for the job. From a praxeological viewpoint, however, all we can analyze is concrete *action*; we cannot speculate on someone’s inner feelings. Even if someone publishes pamphlets denouncing

the sale of tobacco, there is no ironclad proof that this person is not committing a practical joke.

E. UTILITY *EX POST*

People always *expect* to benefit from voluntary exchanges, and in practice they usually *will* do so. In particular, inept businesses soon go bankrupt while entrepreneurs who make good forecasts earn profits. In contrast, in the government sector there are no mechanisms to minimize error. When a government policy fails in its stated objectives, the politicians do not necessarily suffer and the voters may not be sophisticated enough to perceive the true causes of the failure. It is ironic that advocates of democracy do not trust citizens to make personal decisions but *do* trust them to vote for wise politicians.

### NOTABLE CONTRIBUTIONS

- Rothbard's typology of intervention is original. (Much of the analysis in *Power and Market* was summarized in Chapter 12 of *Man, Economy, and State* when Rothbard learned that he would have to split up the volumes.)

### TECHNICAL MATTERS

- Some have objected to Rothbard's claim that the free market maximizes utility because protection agencies necessarily make criminals less happy through their protection of clients. To elaborate on Rothbard's defense (p. 1068), consider that once someone initiates aggression, it is *impossible* to achieve Pareto improvements (relative to the starting point of the analysis). If just one person is willing to violate property rights, we can no longer achieve unanimity in value judgments regarding the desirability of particular actions, and economic analysis alone can say no more. However, as Rothbard points out, there is still a presumption in favor of *private* defense agencies, because in principle they could exist in a crime-free world, where social utility *would* be maximized. (This is because the defense agencies would have contractual, voluntary arrangements with their customers, and thus we would still have an unblemished free market.) In contrast, under a State even if all of the citizens respected property rights, the State itself would still be initiating aggression and hence the economist could make no welfare claims.
- Some economists have criticized Rothbard's defense of his utility maximization claim from the "envy" objection (pp. 1068-1069). For example, Bryan Caplan has argued that, were we to follow Rothbard's logic, we *also* could not conclude that people signing a contract really wanted to cement a deal; perhaps the signers were merely practicing penmanship. And yet this is no contradiction on the part of Rothbard: as praxeologists, we *can't* say that someone signing a contract agrees to the terms it spells out. After all, the person could be illiterate, force could have been threatened earlier, etc. (It is not *praxeology* that spells out the conditions for a legally enforceable contract.) What praxeology *can* say is that, at the moment of choice, the person thought that signing the contract would yield more utility than any rival course of action. Remember, the reason the praxeologist can also comment on coercive outcomes is that they necessarily differ from voluntary scenarios. (If they didn't, then the aggressor wouldn't bother threatening force.) *That* is why praxeologists conclude that voluntary actions increase utility while coerced ones harm at least one party. If at gunpoint two people agree to an exchange, then the praxeologist has no "ironclad proof" that they really possessed a reverse valuation for the items; Rothbard is thus not being pedantic just to rescue his welfare theory.

STUDY QUESTIONS

- (1) What were Oppenheimer's two means of satisfying wants? (pp. 1057-1058)
- (2) Why doesn't it matter whether an intervention is "legal" or not? (p. 1057)
- (3) On which type of intervention do most political economists focus? (pp. 1059-1060)
- (4) What is the distinction between classes and castes? (p. 1062, fn 5)
- (5) Rothbard characterizes the State as inherently coercive, and yet he agrees with Hume that *all* governments rest on the consent of the governed (p. 1066, fn 9). Is this a contradiction?
- (6) Won't ignorant consumers make poor choices on the market? (p. 1070)
- (7) Doesn't advertising weaken the alleged virtues of the free market? (p. 1071)
- (8) Can't voters choose expert politicians in a responsible manner? (pp. 1071-1072)
- (9) Why is there no concrete test of success in government? (p. 1072)
- (10) Why might intervention be undesirable *ex post* even in the eyes of its initial supporters? (p. 1073)