

**Libertarianism 101**  
**Guest: Walter Block**  
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**WOODS:** Walter, you are one of the people most frequently cited when people say, “I became a libertarian because I heard X.” What people like about you is not only that you seem to have an encyclopedic knowledge of all the sorts of issues that arise in libertarian circles, but also because you’re just so forthright and to the point and in your face. “This is my answer; so be it.” And that’s precisely why I’m having you on here today, because that’s what I want. I want the in-your-face answers to some of these hard questions. Let’s start off with an easy one, because there are people who are coming to libertarianism all the time and we can’t assume everybody automatically knows the basics. First of all, tell us, what is the nonaggression principle?

**BLOCK:** Tom, before I answer that—I’m a professor. I’m never allowed to answer anything directly. Let me just say that I can’t believe that most people come to libertarianism because of me. Surely it’s Ayn Rand or Murray Rothbard or Ron Paul or Ludwig von Mises or this guy named Tom Woods, but you’re very nice to say that anyway.

**WOODS:** Well, “one of.” How about that?

**BLOCK:** Okay, “one of” I’ll accept. What is the nonaggression axiom? It’s the normal thing that if you ask anyone if they think that they have a right to initiate violence, just haul off and punch some stranger in the nose or grab his wallet, obviously, they would say no. The nonaggression axiom or nonaggression principle is “Keep your mitts to yourself.” Don’t grab other people without their permission. Don’t grab their property without their permission. And that’s all it is. I think at that level most people would say, “Yes, I agree with that.” To not agree is to be barbaric.

The problem comes when you try to deduce or extrapolate from that, because we get into the question: suppose the government does something. Is that okay if they have a majority vote? But to answer your question very succinctly, the nonaggression principle is “Keep your mitts to yourself.” Keep them off other people and their property unless you get their permission.

**WOODS:** So what are the political implications? It sounds all very convincing and common sense, and as you say, most people would say they agree with it, but what would they find shocking if it were actually implemented across the board?

**BLOCK:** They would find it shocking, because it really vitiates against government taxation. Government says on April 15th—or now withholding all through the year—“you guys are going to pay us money,” and we never agreed to pay any money. So this is a very, very radical thing when applied to the government, because if you consistently and thoroughly extrapolate from the nonaggression principle you have to oppose what government does, because government is doing things that we haven’t agreed to. It’s grabbing our property without our permission.

**WOODS:** Some people may come back at you and say, “Yes, it’s true that the government steals, and the government does all these things. But since we can’t have civilization without government, I guess civilization requires us to sometimes give up our moral principles. We have to give up a little of the nonaggression principle for the sake of sheer survival.”

**BLOCK:** This is an argument that is employed by some people, and what they would say is, “Yes, government is evil, but it’s a necessary evil. Because if we didn’t have it, we’d have chaos and what have you.” I would say that of all people who consider themselves libertarians, only about five or ten percent are anarchists, libertarians of the sort that I am, who would consistently and rigidly deduce and extrapolate from this principle. Most people who are libertarians would be what I would call limited-state libertarians or minimal-government advocates—or minarchists, in the vernacular. For example, Ayn Rand was like that, and Ron Paul is a bit like that. They would say, “Yeah, so we have to have the nonaggression principle; however, we do need to make an exception for government, because without government we’d have chaos.”

The idea here is you have very limited government. Armies, courts, police—to protect from bad guys, not to export democracy. Police to protect us from local bad guys, not to uphold the victimless crime laws, and courts tell who’s who. I would say that I am not a minimal-government advocate although I respect that position, and that’s a perfectly coherent position. I’d rather live under that society than our present one. To get to your point, I think it’s been demonstrated. There was this book *Uncle Sam the Monopoly Man* in which the authors demonstrate that each and every function that the government has ever performed has been performed by private enterprise more successfully. Armies, courts, police, roads, schools, healthcare, quality of medicine, Food and Drug Administration, things like that. You make a list of everything that the government has done, and most of it is bad. But even the good stuff that would exist in the market has been done successfully by nongovernment agencies, so I wouldn’t accept that retort as definitive.

**WOODS:** I think some people can convert and become libertarians because they are convinced that the nonaggression principle is the right way to go. It makes moral sense. It corresponds to a moral intuition we all share. I wonder, though, what’s the lightbulb “aha” moment that a lot of people have? In other words, not everybody’s going to immediately hear that principle and say, “Yep, now I’m going to adapt all of my views so they’re in conformity with the nonaggression principle.” Is there something about libertarianism as a system or particular examples of libertarianism in action that you think are likely to grab people, so they’re willing to consider the whole system?

**BLOCK:** I think as an Austrian economist, I’m a methodological individualist, and I would say different strokes for different folks. Different people come to the one true libertarianism through different avenues, some through the deontology—mainly the pure ethics of it that it’s improper, it’s barbaric, it’s uncivilized to initiate violence, and even if a majority says so. Likewise, government is not really a club. Taxes aren’t really club dues, so that’s the deontological approach, and it affects some people. Other people are more utilitarian or consequential as they say, “Well, how would the courts work without the government? How could we certify the quality of food and drugs without the government? How could we have highways and streets and roads without the government?” And that would be the consequentialist utilitarian. And then the third part is half and half, half deontology, half utilitarian, and many other combinations and permutations of those. But I think those are the two, the pure ethic of it and the practicality of it.

**WOODS:** I want to jump to an economics question, because you are, of course, an economics professor. You’re not just a libertarian philosopher and theorist. When I posted this on Facebook—and remember, guys, ‘like’ [my page on Facebook](#) because I do put out requests for questions—a good question came up about the minimum wage, and I know you’ve written a lot about the minimum wage. The questioner says that over the past 60 years he sees no correlation between minimum-wage hikes and hikes in unemployment. He says, “Sure, I understand there are lots of variables that can be offsetting, but surely there can be some correlation, and moreover, I’m stymied by the fact that relatively high minimum-wage countries often have low unemployment rates.” Can you sort all this out, Walter Block?

**BLOCK:** Well, I can. I’ll try. In a sense this question was right, or this objector is correct. There probably isn’t much of a correlation between the rises in minimum wage—say, the national minimum wage over the last 60 years or so, and unemployment. Other things cause unemployment beside the minimum wage, but even

apart from that the fact of the matter is that the minimum wage has been relatively stable in real terms over the past 60 years. Yes, it's gone from—what was it? Twenty-five cents to 40 cents to 70 cents to \$1.25 and \$5.15, and I'm skipping a few. Now what is it? \$7.25, and they're thinking of raising it to \$9, but in real terms it hasn't changed that much. It's changed a little bit but not that much.

This would be what economists call a "time series." You look at it over time. You can also do a cross-sectional analysis. At a point in time various jurisdictions have various unemployment rates and also various minimum-wage laws. I did a study like this on the ten Canadian provinces a couple of years back, and I rated all ten Canadian provinces as to what their unemployment rate was for teenage workers or younger people compared to the overall unemployment rate, and I found a very, very strong correlation between high unemployment rates for unskilled workers, mainly teenagers or young people, holding constant the overall unemployment rate and the minimum-wage level. Other studies have been done for the various states, the 50 states, and they've also found these very strong correlations.

I think it's not exactly true to say that those countries that have no minimum wage or a very low minimum wage don't have a lot of unemployment. That's not true, but there is correlation over countries as well. The higher the minimum wage you have, other things equal, the more unemployment you'll get. The "other things equal" is crucially important, because, as I said, other things create unemployment beside the minimum wage. The minimum wage does create unemployment.

Another point that I would make in this regard is that the overall unemployment rate that the government tells us is seven percent. The shadow statistic [TW note: Walter is referring to <http://www.shadowstats.com>] is more like 15 percent, but the unemployment rate for black male teenagers that even the government admits is something like 40 percent or 50 percent, which is stupendously high. And you can just see the minimum-wage law working there.

So much for statistics. Now let's just look at the logic. The minimum-wage law is not an employment law. It never guarantees anyone a job. It just says if you're hired then you have to be paid \$7.25. But suppose your productivity is only \$5.00 an hour. If they hire you at \$7.25, they'll lose \$2.25 on the deal, so they're not likely to hire you. If they do, they're likely to go bankrupt. So the point is that the minimum-wage law is not a floor under wages that raises wages; rather, it's a barrier. You have to have a productivity of \$7.25 an hour; otherwise, you don't get a job. That's why the unemployment rate is so high for unskilled workers.

**WOODS:** Now that we've covered an economic topic I want to jump back into the traditional puzzles that come up with libertarianism. I feel sorry even bringing this up. If it weren't for the fact that you had written a book on this subject, I would really feel guilty raising this subject, but everybody always jokes that the question they get is about...what? Fill in the blank, Walter. What about the...

**BLOCK:** Roads.

**WOODS:** The roads. Okay, so you wrote a book on the privatization of roads and highways, so give us the zippy answer to this.

**BLOCK:** The zippy answer is how many people die on our wonderful socialist roads? It's something like 40,000 a year over the last ten years. It might be a little lower, 38,000, 39,000, but that's an awful lot of people. To put this in context, how many people were killed on 9/11? 3,000. How many people were killed in the aftermath of Katrina, which was not due to Katrina but to the Army Corps of Engineers and FEMA? About 1,900 people. You know every once in a while you have a mass shooting like in Connecticut or Aurora, Colorado, or in the Navy yard or whatever, and you get a dozen people killed. Look I'm not trying to deprecate those numbers of people killed. Every life is precious, but here it's 40,000. That's a lot of zeroes.

Obama's not talking about it. Bush never talked about it. No one talks about this. It's sort of like—what is it? Like death and taxes. It's inevitable. But no, I don't think it's inevitable. I think it's due to the fact that we

have a Sovietized one-rule-fits-all kind of monopoly highway system run by government. Whether it's federal or state doesn't matter much. My idea that I make in this book on privatizing the roads is, let us have some competition. Let us have the Tom Woods highway and the Walter Block highway. Let's say they run parallel to each other and that the Tom Woods highway is a great highway and very few people die, and then on the Walter Block highway people are being killed like flies. The Tom Woods highway is going to take my customers away or I will start emulating the Tom Woods highway, and I will come up with better, more competitive ways of running the highway, which would reduce deaths.

What kinds of things could we implement? What could the Tom Woods highway do that the Walter Block highway isn't doing? Just to give you an example of how road managers could compete with each other to reduce deaths: they say speed kills, but maybe it doesn't. Maybe it's not speed. Maybe it's the variance in speed. The way the government highway has it, it's a minimum of 40 miles an hour and a maximum of 70. But if you go on one of our major highways at 70 a lot of people are going to pass you. Most people do 73, 75, 76, and they don't get tickets for that. Whereas every once in a while you get, I don't know, a person doing 50 or 55. There's a very big variance in speed. Maybe a better way to do it if you have a three-lane highway going in one direction, instead of everyone having to go between 40 and 70, or actually between 40 and 75 or even up to 80, maybe a much better way to do it is in the left lane, everybody has to do 80. The middle lane everyone has to do 70, and the right lane everyone has to do 60.

I don't know. I'm not a road manager, but I'm a speculator on this. I'm speculating that maybe that would reduce deaths. Another speculation is when one truck is about to pass another, and you know it's going to take them 15 minutes or 15 miles to pass it, people hit the gas and try to get ahead of that truck before it passes the truck. Maybe we should make a rule that the truck on the right should let the other guy go by quickly, so he doesn't hog up the road. Another possibility is it's illegal to do 65 miles an hour in the left lane. A lot of people want to do 70, 75, 80. Maybe we should give tickets for people who sit in the left lane and go very slowly, because people who want to go faster have to nip in and out of the lanes. So here are three things in my book. I must mention, I don't know, 20, 30, or 40 of these things that if different roads had different rules of the road or different techniques, maybe we would find out which ones did better. Maybe we would have laboratories and find out how we could reduce death. But no. What we have is a monopoly—one rule, or one style of management fits all, and we never learn how to reduce deaths. It's as if these rules of the road come from Washington, D.C., on stone tablets.

**WOODS:** But I think the concern people have is that road building would not be profitable for a private firm. How do you answer that?

**BLOCK:** Well, I don't see why road building wouldn't be profitable. There are many objections. One: you'd have to have eminent domain to get roads built in the first place, and it wouldn't be profitable. I don't see why it wouldn't be profitable. You would charge a fee. You wouldn't have to stop every three feet and put a penny in the meter the way they do on tunnels in bridges. What you would have is some sort of Universal Product Code like they now have on everything in a grocery store or in a pharmacy. When you go to the grocery store and you buy a can of Coke, they flip it over the glass, and it goes blip. You would have something on the underbody of your car, and it would indicate that you went on the Tom Woods road for ten miles. At the end of the month you would get a bill for that, so it would come out of your account. These techniques I discuss in the book. It would be like any other service. To say that roads wouldn't be profitable is saying that no one wants to use roads, and that's silly. Railroads are profitable, or at least when they're not run by government they're profitable. Roads and railroads are long, thin things. I don't see why one would be profitable and the other not. I would reject that objection.

**WOODS:** I think what you're describing could well be the case, that there would be two roads that directly compete with one another. But it might not have to be that. It could also work in a way where I'm a merchant. I'm a big, big store, and I want people to come to my store. So one of the ways I'm going to do that is as a public service, I'll offer roads. I will beautify the roads. I'll make the trip from their house to my

store as pleasant and delightful and safe as possible, and along the way they'll probably see discounts they can get at my store. Therefore, they can drive on the roads for free the same way most people watched before cable TV. They watched TV for free. It gets paid for through other ways. So in other words, if there's a Sears store, and an apartment complex somewhere, I don't think all the parties involved would be sitting there scratching their heads, "What do we do now?" Sears would have an interest in making sure people have some way to get there, right?

**BLOCK:** Absolutely, and we do even have private roads right now. You go to Wal-Mart or a Sears, and it's this gigantic parking lot of acres and acres and acres, and you just can't park anywhere. You have to park where the parking spaces are, but in between the parking spaces are private roads. Sears or Wal-Mart or any large department store has an incentive to make those private roads run efficiently and they'll put plants there, or they'll put trees there. They'll make it as safe as they can. But they're still under the government. They have to have parking for handicapped people. Although it's interesting that some of the new initiative in this regard is special parking spots for pregnant women, and this was not initiated by government. This was initiated by private people in their parking lots.

So you're quite right. It need not be that you're going to have to pay for all roads. They could be like loss leaders. When you go into Walmart again or a supermarket, you don't pay for the lights. You don't pay for the cleanliness of the aisles. Rather you just pay for what you buy. They give you that as a loss leader in order to attract you into the place. You don't pay for the air conditioning, either. I live in the South as you did, Tom [TW note: from 2006 to 2010], and we appreciate the air conditioning. But you don't pay for it directly. So I think you're making a very good point that I discuss in my book that we need not have to pay for this, but it could be given to you for free and on a profit-making basis.

**WOODS:** Walter, I want to ask a couple things that come up a lot, again, in libertarian discussions. I was thinking to myself, "Isn't it an interesting coincidence that the things I want to talk about happen to be things Walter has written about?" But that's because Walter has written about everything. So it's not just a funny coincidence that it comes out this way.

I know you had an article, of course a co-authored article, on the subject of corporations. That comes up a lot, because some libertarians say corporations are an example of government privilege. They enjoy special government privileges. I used to hold that view, because that was a way I could show the Left how cool I was: "Hey, I don't like corporations either. They're getting special privileges from the government." But I don't believe that anymore, and I don't think that's your opinion, either. What do you say to somebody who says a corporation getting a charter from the government is being given a special privilege and therefore is not a market institution?

**BLOCK:** First, let me firm up both of our left-wing credentials. We pinkos, we believe that some corporations do get special government privileges and bailouts and subsidies, and that's really crony capitalism or corporate state monopoly capitalism or economic fascism, and obviously we would oppose that. The question you're asking is not whether some corporations get special privileges but rather whether the corporate structure is per se a granted privilege, and here I would agree with you that it is not. Without any special privilege, we each engage in a commercial interaction. I could make a contract with you. One contract with you is a non-corporate contract, and if somehow I failed to fulfill my end of the deal, you can sue me not only for the value of my private company but also sue me for my house and my car or my bicycle or whatever.

That's one way, and that's the way that some of our left-wing friends think it ought to be. But another way is: I say, "Look, Tom, I want to make a special deal with you. If I don't fulfill my contract, you can sue me but only up to the value of the company that I'm putting together—only up to a million dollars. You can't come after my house, my car, my bicycle, my violin, whatever it is." If you agree, then that's not a special privilege. Just a matter of contract. And I don't see why that would be a per se violation of rights, that you

agreed not to sue me for everything, but have a limited-liability corporation. My limited liability only goes up to the million dollars that I got into this company or corporation. I don't see why that is a per se violation of rights.

**WOODS:** In other words, people who would lend to an institution like this would know ahead of time that they couldn't go after the shareholders' kids' college fund, for example.

**BLOCK:** Right.

**WOODS:** Therefore, in a free market, they would lend to that institution maybe at a slight premium to compensate them for the fact that there's a limited amount they can go after in case of default.

**BLOCK:** Precisely. That is exactly the case. I might have to pay a higher premium, a higher interest rate, or you might charge me a little bit more if we're dealing in a nonbank situation, but that's just part of the market. There are certainly advantages of the corporate format, that you can amalgamate large amounts of money from many different stockholders. Mises even went so far as to say that one of the key distinctions between a free society and a non-free society is the stock market. It's hard to have a stock market without corporations.

**WOODS:** I want to hit on at least one more thing before I let you go—we could have a whole program on environmentalism, which we couldn't get to today, or, "If land is taken from the natives, do they have a right to get it back 500 years later?" I got a question from somebody on the subject of insider trading, which comes up in the news once in a while. What would be the libertarian view of insider trading? Can you explain it in a way that will sound reasonable to the average person?

**BLOCK:** Let me take a hack at that. That's a good question. Look, Tom, suppose you and I want to go into business, and I've got a lot of money, and you are a helicopter pilot. We're looking for, I don't know what, oil or gold or some valuable thing. I can make two kinds of deals with you. One, I can say, "Look, Tom, I'm going to pay you a nice salary, a quarter of a million a year, which is a very nice salary, and if you find any gold or jewelry or anything out there, you have to tell me, and you have to promise that you can't use it on your own account. You can't start buying up land around there, but you're my employee." That's one contract, and that's certainly a valid contract.

But now I'm thinking, maybe I'll offer you a different contract. I'll say, "Look, Tom, I can't really afford to pay you a quarter of a million dollars as a salary, but I want you to go prospecting, whether with a truck or a helicopter doesn't matter. If you find some valuable minerals as a result of your search with my capital goods, this inside information that you've just got as my employee, you can use it on your own account. But I'll pay you a lower salary." Now is that a valid contract? I don't see why not. It's very similar to the corporate structure as well.

Both contracts are legitimate; neither one violates the nonaggression axiom or the nonaggression principle of libertarianism. Yet one is perfectly legal and the other is considered horrendous. If we did the other, we could both go to jail. I don't see how you should be going to jail for that, because as a libertarian, the only reason that you should be punished is if you violate the libertarian nonaggression principle. And this second contract, where you can now avail yourself of inside information, is perfectly reasonable. If somebody else breaks into my desk and steals the inside information, well, then they're a criminal, not because they're using inside information, but because they trespassed.

**WOODS:** How would you then respond to somebody who says, "This just goes to show that, just as I suspected, libertarianism is all about protecting the fat cats, protecting the people on the inside. Now you even want to protect people who are going to prosper on the basis of inside information. What chance does a little guy have in the libertarian world?"

**BLOCK:** Well that's true. We do hate the little guy. No, I shouldn't say that. I'm just kidding. We don't hate the little guy. Mises and our other leaders, our forbearers, our intellectual godfathers, have said that capitalism really helps the little guy very, very much. The example I sometimes use is in the good old days, the king had a coach and six horses, and the poor guy had to walk. Nowadays, the fat cat has got a Cadillac or a Maserati, and the little guy's got a Ford Focus. Now who's improved more? When you go from a coach and six to a Maserati that's a big improvement, but it sure is a much bigger improvement when you go from walking to a Ford Focus. Take another example: the king had a lot of candles, or the fat cat in the sixteenth century had a chandelier with 100 candles. He was well lit. The poor guy, when it got dark that was it. He had to go to sleep, because he had no candles, no light at all.

Well nowadays, the rich guy has got chandeliers that cost a quarter of a million, and the little guy's got a little light bulb, and he can keep it on all night. Who is benefited more? Similarly with TV, the poor guy has got TV shows, and the rich guy used to have special ballet people coming in for him, and the poor guy had no entertainment. Now the poor guy has got very good entertainment, so in all these cases, both rich and poor gain from capitalism and from economic progress. But the poor gains much, much more. The poor woman has nylon stockings. In the old days, the rich woman had silk stockings, and the poor woman had no stockings. Now they both have nylon stockings, so there's not really that much difference. There's not really that much difference. So in many, many ways, it's the poor who gain more from capitalism.

Look, where would you rather be? Poor in a relatively free market place or middle class in some of these very poor nations where you have very little economic freedom? I used to watch the Olympics in the 1980s, and whenever they would interview a Russian gold medal winner, they would always interview him in a little apartment, not outside. Then outside he'd have a little red car. And I always wondered, why was this? The answer was that in the Soviet Union, the only young person who could have an apartment of his own and a little red car was a guy who won a gold medal in the quarter mile or whatever the Olympic event was. Whereas in the U.S., which is a relatively freer country although it keeps reducing its freedom, you can work in McDonald's and have a little red car. Maybe not a new one but a useable car. You can have a color TV. You can have air conditioning. So it's crazy to think that libertarians favor the fat cats.

When I started this answer, I said that we do oppose bailouts. Corporate subsidies and bailouts and stuff like that, what they did in Detroit, and what they did on Wall Street. We libertarians don't favor crony capitalism. We favor laissez-faire capitalism, a very different kettle of fish.