



Episode 1,352: This Left-Wing Attack Piece is the Bologna; Peter Klein and I Are the Slicer

Guest: Peter Klein

WOODS: All right, let's jump in right here. This is the kind of question that I would want to ask somebody with your background and your area of specialty. Is a libertarian — so everybody knows the article — I just told them about it — that we're looking at, will link to it on the show notes page. The first question I want to look at is: is a libertarian willing to admit that production is the result of many forces, each of which should be recognized and rewarded?

Now, before I actually throw that question over to you, I want to make a little comment on it myself. First of all, of course a libertarian admits that production is the result of many forces. Who wouldn't? How would you not? Of course, there are a lot of things that go into production. But the each of which should be recognized and rewarded is the slippery part, because rewarded reminds me of in Henry Hazlitt's book *The Failure of the New Economics*, he quotes Keynes on — I don't know if it was thinking of interest as a reward for savings or a reward for this and that. And he was saying to Keynes: the economy is not a Sunday school teacher, handing out rewards and punishments [laughing]. It's not right to put it quite that way. And there is a way that the market economy — I don't want to use the word "rewards," but nevertheless pays each of the contributors to production. So why don't you take it from there?

KLEIN: Your comment is very insightful, because I think the way this question is phrased does reveal a kind of mindset on the part of the questioner, that there's sort of a fixed pie of wealth or well-being or happiness or income or whatever it may be, and it's the purpose of society or maybe the wise guardians of society, such as progressive politicians and so forth, to sort of hand out the goodies. And if you get some kind of benefit from participating in the economy, that's a gift that has been given to you by the community or by the elite leaders or whatever. You should be grateful to it, because you certainly didn't earn it on your own. Of course, that's a completely odd way to think about a market economy, which after all is not an organism that lives and breathes, but just sort of that's a label that we use for this aggregate of individual voluntary exchanges, choices to participate in one project or another, ways in which different people interact with each other. So there isn't any stuff that preexists which is then handed out in the form of rewards and punishments.

But on the substance of this question, I read the article, and on the whole, the article strikes me as a mix of misunderstandings of what libertarianism is and what libertarians claim and then some misunderstandings about how the world works. And I think this question includes both of those. As you said, of course production is the result of many forces. A lot of budding economists and neophyte libertarians get their start from reading something like Leonard

Read's "I, Pencil." "I, Pencil," the great libertarian classic on how no individual has the knowledge and capability to make even the simplest of goods and services alone. We all participate in this grand market experience. So, yeah, of course production is the result of many forces. That's kind of trivially true.

But the other part is, in a market economy, everyone who contributes to the division of labor gets some kind of compensation that is related to the value of that contribution on the margin to production. So you and I contribute labor in various ways, and we get compensated for our labor. People who own land or natural resources or other kinds of equipment and machinery are compensated in the market, right, in a market system, according to the marginal benefit of their contribution to production as valued by consumers. What people usually mean when they ask this kind of question — of course, it's almost a rhetorical question, I think, on the part of this writer. What this writer is thinking is: well, under a market system, under laissez faire, a bunch of evil rich people, undeserving rich people get a big reward, and the more deserving poor people and maybe middle class people don't get the reward that they deserve. So, look, in a system like the one I've just described, of course everyone who participates in the division of labor is not going to get an exactly equal benefit. The wages and salaries and rental payments and so forth of course are not going to be equal, because not everyone is equally productive. Not all resources are equally productive, so we won't all get the same kind of reward.

We hear so much talk about inequality and concentration of wealth and so forth. Look, some people have labor that is highly valuable on the market, you know, LeBron James or something. Yeah, LeBron James, the income that he gets paid by now the LA Lakers, I mean, that that's not profit. It's not that he has an equity stake in the Lakers. Those are wages, and his marginal revenue product is way higher than mine, and so his wage is way higher than mine. He's rich, but he's also a wage earner. He's a wage slave. You know, your grandmother who has a couple of shares of stock in her retirement portfolio is a capitalist, business-owning equity holder, but may be very poor compared to some wage earners. So yeah, everybody gets paid according to his or her contribution to the division of labor.

WOODS: We have so many questions, let's just jump right along. Now, the next one has to do with workers bargaining for their services, and aren't they also employing market forces? And I think I handled that one. As I pointed out that, in principle, there's no problem with sitting down and bargaining, and in principle, there's no problem with having a union. It can also have social and fraternal functions as well. It's that the way American unionism works, what we have is, well, frankly, a lot of coercion baked into the law —

KLEIN: Exactly.

WOODS: — with regard to an exclusive bargaining agent, and everybody's got to be a member of a particular union, whether they want to or not, and the union can enforce the collection of dues. I mean, there are all kinds of — but then also there is — yeah, I know the law — duh. I know the law doesn't actually say: unions can beat up non-union labor. I know the law doesn't say they can burn their houses down. I know that. But at the same time, I know those things have happened.

KLEIN: Oh, yeah.

WOODS: And I know that the law enforcers have looked the other way, either out of sympathy with the workers or out of fear of reprisal if they do intervene. So there is some coercion here. These are not merely market forces – and by the way, I don't know if that made it onto the recording, but the housekeeping people are in the room now [laughing]. But I'm not going to not have – I mean, there are some sacrifices I will make for my listening audience –

KLEIN: Oh, yes, indeed.

WOODS: – but not having my bed made up and everything cleaned, that ain't one of them. So let's move on to the next one I want to talk about.

KLEIN: Actually, could I just add a little comment?

WOODS: Yeah, please do.

KLEIN: Yeah, if I could add something to your – I agree with you, 100%. But I think it's interesting the way this question is asked, again, I think I have some insight into what the questioner has in mind. Think about a lot of transactions that we engage in on a regular basis as consumers. To what extent do we bargain with the seller over the price or the terms of the trade? Well, we don't explicitly bargain in every case. Now, sometimes we do. If I go to the flea market on Saturday, and there's some little knickknack that I want to buy, I might engage in an explicit round of haggling with the seller until we come to a price. And we would all agree, and I think even the author of this article would agree, that if we bargain and we decide that I'm going to pay five bucks for this little trinket, that price is the result of some kind of voluntary bargaining process that exploits neither the buyer nor the seller.

On the other hand, if I go to Walmart and buy a tube of toothpaste, I don't engage in an explicit round of bargaining with the store manager or with the Walmart executives or shareholders or anything. So we often think: oh, you go to the flea market and haggle, well, then you have some power as a buyer, but when you just go to the store and sort of take the price that Walmart imposes on you, then you're kind of a helpless pawn who has no role in affecting the price and you're being taken advantage of and so forth.

Well, yeah, of course, when you're selling on the scale of Walmart or operating as a large reseller on that scale, individual consumers are not going to bargain with the store. But as a block of consumers, we do kind of indirectly bargain. If people don't like that brand of toothpaste, if people are not willing to pay that price, or if there's another seller who's offering a better deal, people will simply not purchase from that existing seller, and that will drive the price down. I always want to say to people who claim, well, big companies, they just stick it to the consumer and they charge whatever price they want, I mean, how do we explain all kinds of business failures which are around us every day? Sears Roebuck was once the largest retailer in the United States and has declared bankruptcy and is closing stores nationwide. Sears could put whatever sticker prices it wanted on the goods and services it was offering, but it couldn't compel anyone to buy them.

In other words, sort of we, as a body of consumers, we are kind of bargaining with Sears and bargaining with Walmart, just not in an explicit, direct fashion. And our willingness to purchase or our unwillingness to purchase has a huge effect on the price, on the bottom line,

and many times it ultimately determines which companies will stick around and which companies will disappear.

So it's the same thing with workers, right? If you're LeBron James, you bargain with the LA Lakers over your salary. If you're working at McDonald's, you don't engage in an explicit bargaining session with McDonald's, but if a large group of potential fast food workers are unwilling to work at prevailing wages because they have better opportunities elsewhere or for whatever other reason, those firms are going to be compelled to increase those wages in order to hire. So again, the issue is not whether the individual employee has more or less power, but whether employees that collectively have kind of bargaining power, and they have it even when they don't form a union and sit around a table and engage in this kind of explicit dialogue with the firm.

WOODS: All right, Peter, I think the next one is actually the toughest one, because it really is asking a lot for just one question. And I'll set it up by saying this: they're quoting the Cato Institute. By the way, if they don't like the Cato Institute, I don't know how they would feel about us [laughing]. I mean, they'd probably ever have a heart attack.

But he says, "Libertarians say that the free market will help consumers," and they quote the Cato Institute, saying, "Libertarians believe that people will be both freer and more prosperous if government intervention in people's economic choices is minimized." Well, that's an unobjectionable statement, I think.

But then the person goes on to say, "But victims of illegal foreclosure are neither freer nor more prosperous after the government deregulation which led to their exploitation. What's more, deregulation has led to a series of documented banker crimes that includes stockholder fraud and investor fraud. That leads us to our next test of libertarian hypocrisy: *Is our libertarian willing to admit that a free market needs regulation?*"

Now, again, let me start off here a little bit. First of all, that is a really broad question. You really wanted to get an answer of "no" to that? And then, presumably, you need a whole lot of elaboration of what that would look like. We're not saying, first of all, naively that, oh, well, businesses will take care of this because they don't want to kill their customers, so they're not going to sell them poisoned sandwiches. That is a factor, but that's probably not enough to satisfy people. So there's a lot that would need to be said there. But secondly, I would like to know the specific example of government deregulation that led to illegal foreclosures. I'm not saying it's impossible. It's possible that I could have completely overlooked it, but I don't know what they're talking about. I don't know which deregulation led to banker crimes that regulation would have covered. I don't know — I think what they may be thinking of is a lack of regulation, because anytime anything goes wrong, they assume that before the fact, surely someone could have foreseen this and should have implemented some regulation. But that's not the same thing as deregulation. What are your thoughts on this whole thing?

KLEIN: You raise a good point. I mean, this is a complex and kind of multilayered issue. I like to start at the most basic level and then get more down into the weeds. So of course, there are differences of opinion among libertarians about the exact role of the state in providing what we might call regulation, with a little R. But we all believe, all libertarians believe in some kind of regulation, if by "regulation," we mean rules, procedures, policies, and systems that promote kind of harmonious cooperation. What most libertarians believe is that the role of the state — the issue is what's the role of the state in doing that, as opposed to allowing

private individuals, private groups, civil society to come up with rules, policies, procedures, i.e., regulations that work. You know, Rothbardian libertarians would say there's no role for the state, that civil society can come up with rules, procedures, means of enforcing those rules in a way that allows for sort of harmonious interactions among people.

So when somebody says to me, "Oh, you guys don't believe in regulation, right?" I just say, "No, of course, I believe in regulation. I mean, I tell my kids they have to go to bed by a certain time. That's regulation, right?" When I use my computer, I have to click on certain buttons on the apps and on the operating system to get it to perform the functions that I want. I can't just click anywhere on the screen and have the computer spring into motion, so my behavior is regulated by the design of the software that I'm using. So of course we want regulation in life; the question is: is it private, voluntary regulation, or is it sort of state-imposed, coercive regulation?

But on this specific question, well, let's say we define regulation in the conventional way, as the state-imposed kind. Isn't it true that, you know, bad thing 1, 2, 3, 4, 5 — you can sort of check off a list — isn't that due to the lack of regulation or deregulation promoted by ideologues like us, and so forth? Well, I mean, in all of these cases, you have to look at them on a case-by-case basis. But in a society with a highly complex system of government regulation like we have, it's not always obvious whether a particular piece of legislation or particular change in legislation represents what we would consider a substantive deregulation, meaning a reduction of state intervention and a resurgence, sort of a larger role for market forces.

Especially, for heaven's sake, in the banking sector and the real estate sector. So banking and financial services to this day remains one of the most heavily regulated sectors of the US economy. And every time there's some small change in rules related to mortgages or there's some change in what banks are allowed to hold in their portfolios or not allowed to hold, , critics of such a rule will always say, "Ah, that's deregulation." And something bad happens, and they say, "That's another example of the failure of deregulation." But there's no way you can explain the foreclosure crisis as the result of sort of the free market, right? The whole reason for many of these foreclosures is because banks made loans that were never reasonable loans in the first place. People took on way too much mortgage debt as a result of government policy.

Oh, is there any book I can think of that might explain that kind of — You know, there's one called *Meltdown*. I think the author's name is Bob Murphy but —

WOODS: Oh, that hurts.

KLEIN: [laughing] It's really an excellent book. But yeah, I mean, this is Austrian business cycle theory or Austrian monetary economics 101. So look, if we're currently in a housing crisis or if we're sort of in the liquidation phase of the housing crisis, what do you do? Well, you can have regulations that tell banks any unwise loan that has ever been made, i.e., any loan made to a borrower who cannot possibly — you know, there's no reasonable chance that this borrower will be able to repay that loan you must never foreclose on that mortgage when so that's one that's one government rule another rule would be: yes, we'll relax that restriction; you may foreclose on a non-payer if you so desire. And then it turns out that a lot of people have their mortgages foreclosed, because they took on bad loans because of bad government policy. Is that deregulation? Are those people who are losing their homes, are

they victims of deregulation? To me, that just seems like a bizarre way to describe that. I mean, bad government regulation got them in that situation that they find themselves in, so what do we do going forward? Do we allow market forces to work a little bit or not? To say that, "Oh, well, that shows that deregulation harms people," is — I don't know what would be the right metaphor exactly with medicine or disease or whatever, but the government creates a bad situation that, any way you try to resolve that situation, people can interpret that and spin that as evidence that telling the government to stop doing the bad thing is harmful.

WOODS: The S&L thing is a great example. The S&Ls had been created and fostered thanks to various forms of government intervention, and then the government limited the kinds of activities they could engage in, which made the whole business model unsustainable by the 1980s, and so then they collapse, and then this is blamed on the free market. It's just ridiculous.

KLEIN: Mises' famous theory of the instability of kind of the mixed economy, the sort of system that we have now: government does X, that brings about unanticipated harmful consequence Y, and then there's some other intervention that's proposed, Z, to mitigate Y, and so forth. You get this complex, tangled web of regulations, and it's very difficult to sort of unwind it piecemeal. But then you get in the situation where any attempts by market participants to sort of roll things back, whenever that brings to force some problem that was suppressed by the previous round of intervention, we get blamed, deregulation or the market gets blamed for whatever woe results.

WOODS: Let me mention very quickly — you made reference to *Meltdown*. It took them ten years to finally bring out a paperback edition of *Meltdown*. It was just brought out very, very recently, and it has a brand-new introduction by me, bringing the story a little bit up to date.

KLEIN: That's fantastic. Great news. I'll look for it.

WOODS: Well, they told me all along it was because the hardback was selling well enough, they didn't see any reason to make a paperback, and I kind of thought, well, but it would make it easier for people to buy it if you did [laughing]. So I'll link to that at — this will be TomWoods.com/1352, where you can also read this article that Peter and I are talking about. Now, here's a paragraph from the article, and it refers to Peter Thiel:

"Peter Thiel made his fortune with PayPal. In one infamous rant" — now, by the way, a sure sign of bad writing is the use of the word "rant." I mean, there's no — Joe Sobran wouldn't use the word "rant." Pat Buchanan wouldn't use the word "rant." Like a real word smith would not use that word. "Rant" is a speech by somebody you don't like. That's all it is. I've listened to things that have been described as rants, and they sound pretty coherent to me. Anyway:

"In one infamous rant, Thiel complained about allowing women and people he describes as 'welfare beneficiaries' — and then in parentheses — which, this is the commentary by the author — "(which might reasonably be interpreted as 'minorities') to vote."

So let's pause for a minute. So Thiel is saying that people basically who are net tax consumers maybe shouldn't be able to vote, and so he uses the term "welfare beneficiaries," and then the author of the article says: well, he must surely be talking about minorities. Well, if I said

that, Peter, wouldn't I be accused of racism? *What, you automatically assume because they're on welfare, they must be* — [laughing]. But apparently, if you write for AlterNet —

KLEIN: The same rules don't apply. Some things are more equal than others.

WOODS: That's right. That's right. You could say outrageous things, and it's, eh, it doesn't really matter. Anyway, so then they quote him as saying — it says, "'Since 1920,' Thiel fulminated" — [laughing] first of all, it sounds to me like he's perfectly calm. I don't know where this crazy language is coming from.

KLEIN: [laughing] Exactly.

WOODS: Anyways: "'Since 1920, the extension of the franchise to these two groups have turned 'capitalist democracy' into an oxymoron.'" And so now, getting back to the author: "With this remark, Thiel let something slip that extreme libertarians prefer to keep quiet. A lot of them don't like democracy very much" — okay, good — "In their world" — and then then we get this crazy leap — "democracy is a poor substitute for the iron-fisted rule of wealth, administered by those who hold the most of it."

Now, first of all, Peter, let me just point out for a minute: most libertarians I know are broke, so the idea that what they're advocating —

KLEIN: Yeah, what's the average net wealth of a current US Senator? I don't have the number handy, but it's well into the seven figures.

WOODS: Exactly. And in 2012 and 2016, which candidate got more Goldman Sachs donations than all other candidates put together? It wasn't the Republican, and it wasn't the Libertarian, that's for darn sure. You know what, Peter? It turns out the world is a little bit more complicated than: [assumes dumb-guy voice] "Libertarians are supporting the rich." So anyway, all right, that's my dumb-guy voice. All right, so here's the question: "Does our libertarian" — this is a two-parter: "Does our libertarian believe in democracy? If yes, explain what's wrong with governments that regulate." Well, I guess if no, we can skip the second question?

KLEIN: [laughing] Right. Look, I mean, let's treat this question seriously, maybe more seriously than it really deserves in the context of this particular article. But, you know, there's some range of views among libertarians on this question, but I think what most libertarians — I think a good starting point: most libertarians distinguish between a set of rules or set of the things that government is permitted to do, the set of actions that government is legally or morally justified in taking. What is sort of the range, what is the appropriate role of government in society?

Let's say that libertarians have some different views on that, but they distinguish between that question and then the question of how do you select the specific individuals who are responsible for administering that set of government rules. And there were a lot of people — it's so funny. You've probably noticed this, too, in recent years, as we hear more and more about various "threats to democracy." And I think that's the kind of phrase — it's like what you

said earlier about the word "rant." As soon as you say so-and-so doesn't believe in democracy or so-and-so is against democracy, that's just a synonym for "I don't like this person." It just means this is a bad person. It's never very precisely defined. But if you look at the political science literature, they're very careful to say, well, when we say "democracy," we don't mean voting. Yeah, voting may be sort of part of it, but no, democracy is a whole set of practices and institutions and forms of inclusivity. It basically means kind of left-of-center social democracy, so, you know, kind of the mixed economy and the sort of system that you have in Western Europe or the US in the 20th century, that's their definition of "democracy." So a hypothetical country that has perfect sort of Athenian-style, one-person-one-vote democracy, but then votes for more libertarian policies would not be considered a democracy, because those policies don't fit on what my good friend Tom Woods calls the three-by-five card of acceptable opinion.

So let's assume that what the writer means is like literal democracy, allowing people to vote for their rulers and vote on certain kinds of policies and so forth. So I think most libertarians would say, well, if we say that it is legitimate for government to do X — if we're libertarians, that X is going to be a pretty small set, zero for Rothbardians, and for Catoites, something more than zero but still pretty small. If it is illegitimate for the government to do something that's not part of that X, it doesn't matter that lots of people expressed a preference for that thing at the voting booth, right? So some people may say democracy is fine as a means of choosing the hundred senators who are going to make sure that the government only does X and not anything outside that said X. But beyond that, people in a democracy cannot vote to violate individual rights, or they cannot mandate the state to do something beyond what is legitimate for the state to do. And of course, for some of us, that would be basically zero. But even I'm guessing this AlterNet writer does not believe in unchecked, unlimited democracy. Presumably there's some kind of constitutional limits on what the electorate should be permitted to select and what government can do even when the voters support it.

So I don't have any emotional attachment — me, speaking personally, I don't have any emotional attachment to democracy, like it's part of the civic religion, there are these rituals we have to participate in to be part of society. I don't view democracy that way at all. I view democracy in a completely instrumental fashion. Under our present system, that is the process that decides which bozo will sit in the White House and which bozo will sit in the governor's mansion and the senate office and so forth. And you know, I may have opinions on what's the best way to operate that system, but that's completely separate from my view of what is the legitimate role and function of the state.

WOODS: All right, now, I'm glad you actually took that approach, because we could have easily been derailed just talking about democracy on a theoretical level for half an hour, and I think that's —

KLEIN: And we can do that too, because there's a lot of good literature on that in the libertarian tradition, as well.

WOODS: Right, but I think that's a separate episode. I really do. I think that's a separate episode. So let's move on to this one. "How did Peter Thiel and other internet billionaires become wealthy? They hired government-educated employees to develop products protected by government copyrights. Those products used government-created computer technology and a government-created communications web to communicate with government-educated customers in order to generate wealth for themselves, which was then stored in government-

protected banks, after which they began using that wealth to argue for the elimination of government." So let's pause right there. Isn't it funny when he wants to, he can perceive government involvement everywhere, but when something goes wrong, it's all the free market? He can't see any government involvement whatsoever.

KLEIN: Yeah, that's true.

WOODS: But then he says: "Does our libertarian use wealth that wouldn't exist without government in order to preach against the role of government?" So for example, in the case we just described – because the presumption is, if the government hadn't educated those employees – so skillfully, by the way, that half the employers have to reeducate the employees themselves – the argument being: look at all the ways the government has helped these people. But my point would be, I keep returning to the low-cost private schools in the developing world point that James Tooley makes, that there are low-cost private schools all over the developing world, educating kids more cheaply and more effectively than the government schools, and they're educating more students than the government schools in so many developing countries, when you would think that is a metaphysical impossibility, and yet there it is happening. So I don't buy that if the state weren't involved, there'd be no education.

But likewise with all this other stuff. So if the state's not involved, zero happens? There's not going to be any communications web? There's not going to be computer technology? It's usually that the government wants to develop technology for some ridiculous, white elephant, absurd use that no market actor would ever want, like trying to get to the moon in the 1960s. I mean, maybe there might be some curiosity reason to go to the moon, but to try to assemble – like you could have developed the iPod in the 1960s if you devoted every single resource of society to that end. Well, that's obviously too soon to do that, and you're just wasting resources. When the government does that, it's doing it totally arbitrarily at an arbitrary time, using an arbitrary amount of resources. So how do we know these things wouldn't have happened? It's this argument of so-called crossover that, well, the government developed these things for the military, and then there are civilian uses for them. *Where would we be if we didn't have the warfare state? Why, none of this technology would have been developed.* How do you know? Why do you say that?

KLEIN: Yes, I think that's exactly the right way to look at it. I mean, the way that this question is phrased here, it's sort of begging the question. The writer assumes that all of this wealth, you know, internet and technology and so forth, would not have existed without government. As you say, that's a completely unjustified assumption. So I take exactly the same perspective as you, that there are things that government does that would be done anyway and would be done better, most likely, in the absence of government intervention. And then there are some things that government does that would not be done in a free society, and we don't want them done. Building giant pyramids in which to entomb the previous emperor or whatever, we wouldn't have those in the free market, and we wouldn't have moon shots in the 1960s with unimaginable amounts of private wealth confiscated to support these sort of vanity projects. So yeah, that's absolutely true. But of course, it doesn't follow that because the government claims ownership of certain things or because government subsidies have in fact gone to certain things, that that means these things are the sort of benevolent result of some government program.

I mean, you have to kind of do some case-by-case analysis to answer some of the specifics in this example about the internet, and I've written about this and give us some talks about it before. But none of the valuable technologies that underlie the successes of people like Peter Thiel are sort of things that would not have been done were it not for state intervention. The state is not responsible for developing these technologies. I mean, yeah, it's true that many people go to public schools, so does that mean that every employer who hires a graduate of a public school is just sort of free riding on the taxpayer's largesse? I mean, I think that's what Obama had in mind in his famous statement from a few years ago, when he said, "You didn't build that," to these entrepreneurs. Society built that for you or helped you to build that. That's like the question that we started with today, on lots of people participating in production.

But yeah, I mean, we would have education, and as you just pointed out, we would have much better education in the absence of state subsidy. But unfortunately, we live in a world where most people are educated in state-subsidized schools. So what are entrepreneurs expected to do? Not hire any those people because that would be unfairly free riding on taxpayers? No, I mean, we think, well, unfortunately this workforce is not as well educated as it would be in the absence of the state, but I'll take what I can get, and so I'll hire these state-educated workers anyway. But I mean, it's just sort of ridiculous to use this as a kind of an argument in favor of state intervention. Where does that argument stop? So that means that every person killed with a government-issued military rifle or weapon, every innocent civilian that killed by an errant government bomb is therefore — we would use that as an argument against government activity, and I don't know how this author would — I don't know what kind of a comeback someone like our AlterNet author would have to the argument that, oh, well, you want to do it that way? Okay, sure, then let's put on government's balance sheet all of the mass harm in society that has come from government control of resources.

WOODS: Let me continue on here, because this one, I was just flabbergasted. He says: "Many libertarians will counter by saying that government has only two valid functions: to protect the national security" — okay, I've heard libertarians say that — "and enforce intellectual property laws." I have not — I have heard libertarians say that, but I've never heard those are the two. I've heard the military and the courts, maybe.

KLEIN: Right.

WOODS: [laughing] I've not heard the military and intellectual property laws. But it just so happens that that's what he wants to nail us on, so that's what he pretends he's heard — I guarantee you he's never heard a libertarian say those are the two things. I've been in the libertarian world for I guess 20-some years, and I've never heard anybody say that [laughing]. But he says — I like how he continues — "But why only these two? If the mythical free market can solve any problem, including protecting the environment, why can't it also protect us from foreign invaders and" — to which I would say: okay, let's give it a shot [laughing].

KLEIN: [laughing] Yes, it can.

WOODS: — "and defend the copyrights that make these libertarians wealthy." All right, most libertarians are not wealthy because of copyright. That's just — but then he goes on to say: "Does our libertarian reject any and all government protection for his intellectual property?" And he asks this as if he doesn't know, because he probably doesn't know, that there is a whole —

KLEIN: [laughing] Many of us don't.

WOODS: Yeah, exactly. I mean, there's a very substantial percentage of libertarians who have come to believe that intellectual property is a phantom. And now, I can't do justice to the argument here, but the point is there are libertarians who have made that case. And he doesn't say: now, how come all of you aren't that way? He doesn't apparently know that anybody is that way.

KLEIN: Yeah, I'm sure you've had many guests on your show to talk about intellectual property, and you have many citations on your website. People can look up sort of these debates about different views within the libertarian community on intellectual property. But rather than talk about that, I mean, I think there is sort of an important issue here that is indirectly unintentionally raised by this author that really speaks to the arguments of people like Murray Rothbard and the 19th century sort of individualist anarchists in their critique of the classical liberal or what you and I might call a kind of soft libertarian, minimal-state libertarian position, in that there were and are fundamental inconsistencies, very difficult points for our kind of minimal-state libertarians to explain.

Because their position is, well, the government should not be involved in all of these other things, but there is some limited role for the state in national defense, maybe, or the court system or the police or in some cases IP, whatever it might be. So the challenge for minimal-state libertarians or classical liberals, 18th, 19th century liberals, is to explain, well, where do you draw that line? What is it that makes government able to operate the court system or the municipal police, or in the case of our great intellectual mentor, Ludwig von Mises, the Vienna state opera, the Vienna opera house? What is it that makes it legitimate for the government to use its coercive power of taxation, money creation, and so forth to fund and operate activity A, but not to fund or operate activity B?

Now of course, to be fair, the classical liberals had a lot of — they certainly recognized this as an important problem, and then we went to great lengths to try to explain why they thought it was okay for government to do some things. Well, it's just impossible for that to be undertaken on the free market, or this is a case where government really is the most effective provider of that good or service. And it's very difficult to make those arguments, and really a lot of those arguments are pretty unconvincing and have been challenged for others. But to make a long story short, it is an interesting discussion to have: what do minimal-state libertarians think is appropriate for the minimal state to undertake, and how they justify that? Why don't you go either all the way to Rothbardian anarchism or then keep going in the other direction to sort of the modern welfare state? Where do you draw that line? That's a very tricky issue.

WOODS: Right, and in a way, he is inadvertently raising it for us by saying, well, why just these two functions, and why those two functions? Couldn't your free market do these things? And I think that's what — Rothbard recalls that that was one of the things that kind of put him over the edge, when somebody basically said to him, "Well, so I guess the market can't do these things?" And he didn't really want to be in a position of saying, "Uh, no, it can't." [laughing] Maybe it can.

All right, a couple more, and then I'm going to let you go, because this really gets — because there's a question that he asks that's related to a claim Ayn Rand made, and I refuse to

recognize that one, because I refuse to go along with his idea that Ayn Rand is libertarianism. I mean, the guy can get away with so much ignorance, but at this point —

KLEIN: It's a bridge too far.

WOODS: Yeah, that is a bridge too far. So let's go with this one: "If you believe in the free market, why weren't you willing to accept as final the judgment against libertarianism rendered decades ago in the free and unfettered marketplace of ideas?" All right, my initial thoughts: number one, ain't no way there was a free marketplace of ideas. There's a totally subsidized education system staffed by people who would like their salaries to continue, so have a natural built-in pro-state bias. So, come on. But secondly, even if there weren't, there's a reasonably good chance that we still would not prevail. But what kind of totalitarian world does he want to live in that, if your idea isn't accepted by a majority of people, you have to abandon the idea? So if you think it's a good idea, let's say, I don't know, to be a nudist — how about that? — well, if a majority don't agree with you, then you can't do that, or you can't advocate that anymore. Or if you want to advocate for vegetarianism or veganism, well, look, we've already rendered a judgment on that in the free and unfettered marketplace of ideas, so you'd better stop advocating it. What? He would never say that. Or you could say that about people who were fighting against slavery. I mean, gee, the marketplace of ideas, talk about the marketplace of ideas having spoken. Thousands of years that institution existed. So I don't think he wants to live out the real consequences of that line of thinking.

And then finally, the marketplace of ideas is a metaphor. It's not an actual market. So it's really not comparable to the kind of markets we're talking about. What do you think, on this, Peter?

KLEIN: Oh, Tom, I think you summarized the key arguments extremely well. It is an interesting question, this metaphorical notion of a marketplace of ideas. I think it was in *The Anti-Capitalist Mentality* where Mises pointed out that, yeah, there is some similarity, and if we like, we can refer to the intellectual realm as sort of a marketplace, and even we can talk about the market as a kind of democracy, but democracy is a poor imitation of the market rather than the other way around. For one thing, I would suspect that our author here, used to the world of sort of progressive politics, thinks in terms of a winner-take-all model. Society needs to decide collectively on how to address issue A, and then we as a society address issue A in this sort of unified fashion. And as I think you pointed out just now, that's not the way a market works at all, whether it's a market for goods or a market for ideas. There's not just one kind of bread. There's not just one type of vehicle. There's not one kind of shirt. There's a huge variety of different types of goods and services offered on the marketplace, and even if you have a kind of idiosyncratic taste, like if you happen to like progressive rock bands like Yes, which for some reason, some people I know happen to like —

WOODS: [sighs]

KLEIN: — weird though that taste may be, you can actually satisfy that taste in the market, because there are some providers willing to offer that to you instead of the high-quality rock-and-roll that I like.

WOODS: [laughing]

KLEIN: So it is exactly like that in the marketplace of ideas, right? I mean, I want to persuade other people that my beliefs, my views, my values on some issues are the right ones. If it's about rock-and-roll or it's which *Star Wars* movie's the best or whatever, that's just kind of fun. It doesn't really matter who prevails. If it's an idea about a deeper issue, about some kind of moral issue and how we should treat children, then when I argue with my friends and my neighbors and people on social media, I really do hope to persuade them that my view is right. But it's not the case that we all have to agree on every single issue.

Now, the other point that you made that is super important is that we don't have a free market for ideas for exactly the reasons that you mentioned. I think I would recommend to your readers – maybe you can link to it – an article that was in – I think it was in either the old *Review of Austrian Economics* or maybe after it became the *Quarterly Journal of Austrian Economics* by Leland Yeager. And the article, the title is something like "Is the Free Market the Judge of Truth and Beauty?" I'm not getting the title exactly right, but it's something like that. Yeager makes the argument that we can say, if Walmart is prospering and Sears is going bankrupt, we can say, well, the market has rendered this judgment, that Walmart provides low-cost merchandise more effectively than Sears. But when we say that Taylor Swift sells more CDs in 2019 than Mozart, that is not the market rendering some judgment of quality, of aesthetic quality or sort of essential truth or whatever.

So just as music or art or other kinds of creative works that some experts might consider to be bad or low quality can be more popular, it's the same thing with ideas. Ideas that are true, ideas that are virtuous, arguments that are intellectually sound do not always win out in the marketplace of ideas any more than the "best" music or art or whatever sort of wins out in the commercial art market. And that's fine. There's no reason we should expect it to.

One thing that I thought, I remember when I read that article by Yeager, I thought he did a great job at explaining – he was looking at like, within academia, if a certain journal article has more citations than another journal article, doesn't that prove that the arguments in that more heavily cited piece are correct? And Yeager was arguing against that position and saying, no, there are lots of reasons why things get published in more prestigious or less prestigious journals, why they get more or fewer citations. That's not a way of judging the underlying quality of the argument. I remember reading that and thinking, yes, that is absolutely true. But it's also true that in the particular markets that Yeager was talking about, there's a lot of government intervention. So even in a free market for ideas, we don't know that the correct ideas would win, what we think are the correct ideas would win. But we're not even at that point in the discussion, because we're so far from a free market in ideas for the reasons that you mentioned, that we don't even need to worry about that argument at this point.

WOODS: Just to clarify about the article – I am going to link to it on the show notes page – it apparently originally appeared under the not very helpful title, "The Tactics of Secondhandism" –

KLEIN: Ah, yes, you're right.

WOODS: And then when it appeared in a collection of his essays, it was retitled, "Is the Market a Test of Truth and Beauty," which sure sounds like a better title to me.

KLEIN: Yeah, thank you for that clarification. I think his original — he was using the term "secondhandism," borrowed from Ayn Rand, who used that term to refer to people who just sort of mindlessly copied other people's ideas. Yeager was saying truth is not the result of a popularity contest. I'm saying Yeager is correct, but we don't actually know what would win out in a popularity contest, because we don't have a free market for ideas.

WOODS: Right, right, right. Well, finally, and then I've kept you quite long, and I didn't mean to, but the last — I've kept one of the trickier ones for last: "Does our libertarian recognize that large corporations are a threat to our freedoms?" Now, Peter, there would have been a time when I would have just thought that was laughable. That's just laughable. A large corporation can't tax me, can't conscript me. It doesn't have — it can try to propagandize me, but since the time I've been in school I haven't been indoctrinated into the idea that these are wise public servants looking out for my own good, I have a natural skepticism toward what they say, unlike what I have toward the state if I'm the average person.

KLEIN: Yeah.

WOODS: But at the same time, right now we do have pretty big corporations that seem to be deciding what people are going to read, hear about, be able to discuss, which people are going to be able to discuss it, which books are going to be available. At some point, do we start to say that maybe libertarians are naive?

KLEIN: Yeah, it's a good question, and the simple answer is the libertarian or at least in my libertarian view: there is nothing about the large corporation, per se, that is a threat to our freedom, but it is the case in our economy, in our mixed economy, many corporations are large not because of their success in the marketplace or exclusively because of their ability to satisfy consumer wants, but because they have special privileges granted to them by the state. So large corporations that receive state privilege, that lobby and get special favors and protection and influence on behalf of the state, yeah, those are a threat to our freedom. But it's not the fact that they're corporations. They could be labor unions. They could be organized in any number of different ways. Organizations that receive state sanction can often be a threat to our freedom, but it's not the fact that they're big corporations. They just happen to be big corporations and also sort of receiving this kind of special privilege.

You're talking about the social media companies and Facebook, Twitter, and so forth, Google, Apple. Yeah, many of these firms do wield an enormous amount of influence. My view is I'm not too worried about those Twitter and Facebook or deplatforming conservative and libertarian views or shadow banning them, we hear. I think they probably are doing that. My sort of intuition or my judgment, my historical judgment is that, at present, most of what those firms do is not the result of government privilege, though they do receive some. People have argued, for example, that tech companies have benefited a lot from the Communications Decency Act of 1996, I believe it was, or the parts of that Telecommunications Act of 1996, that provided kind of legal immunity from various kinds of tort prosecutions for these platforms on the grounds that they were so-called common carriers.

In other words, the claim was, well, if I threatened bodily harm to Tom Woods in an email, is the email provider legally liable for me threatening that bodily harm because it delivered my message? And that part of the telecom rules said, no, these platforms are sort of content neutral. Individuals are responsible for what they put in an email or on a mailing list or

nowadays on a Facebook page or whatever, but the provider is not liable, because they're just sort of a neutral forum. Had it not been for those kinds of rules, it has been argued, it would have been much more costly for those firms to operate because they would have had to devote resources to policing what went on on their pages to make sure they were not legally liable for any kind of sort of criminal activity. Well, now you have Twitter and Facebook and so forth trying to walk both sides of the street. They continue to claim that they're not responsible for any harm that is done as a result of people using their platforms, but yet they are actively monitoring content on their platforms to remove so-called fake news or hate speech or whatever. And I think that's them exploiting a regulatory sort of loophole in a way that they shouldn't. But by and large, these companies are providing a lot of value to consumers, and if you feel like Twitter's biased, if you feel like Facebook is bias, don't get on it. Don't use it. That's pretty much how I feel about most of the sort of consumer-facing a tech companies.

WOODS: Peter, people should certainly follow you on Twitter @PeterGKlein. Is there anywhere else you would direct people for more Peter Klein material?

KLEIN: Oh, well, thank you, Tom. It just so happens that you can go on my cruise — oh, no, that's you guys.

WOODS: [laughing]

KLEIN: Yeah, actually, if you just look at my web page, which is PeterGKlein.com, you can find links to all of my academic writings. You can find links to my sort of more outreach-y kinds of writings. You can search for me on the Mises Institute website, Mises.org. But if you just go to my Twitter page, @PeterGKlein, you can find links there to my website and all matter of great stuff out there. No cruise yet, but maybe that'll come soon.

WOODS: Well, you know where you won't be going to Alaska this July? I don't think you're coming, so I thought I could safely say that. But TomWoods.com/1352 is where I'll link to your stuff for people to take a look at. We'll link to the article that we discussed and then the Yeager article we mentioned. All that stuff will be at TomWoods.com/1352. And now we are officially done with this column, thanks in very large measure to Peter Klein. Thanks so much, Peter.

KLEIN: Oh, thanks for having me on, Tom. It was a lot of fun.