

WOODS: All right, let's talk about *Defending the Undefendable*, the old Walter Block classic, the original volume. I recall hearing John Stossel, when he was listing three people, three books that really got him thinking and made him into a libertarian, mentioning *Defending the Undefendable* by Walter Block. So that's a great thing. John Stossel has done a lot of good in the world, and I'm glad you helped to nudge him in the right direction.

Now, what I want to do in this episode about this book is I mainly want to focus in on the so-called bad guys who are attached to commerce specifically, because I know there are a number of people you're chronicling in here who could get arrested for what they're doing, and yet it's all victimless crimes and they shouldn't get arrested, and I understand all that. But I think the misunderstandings generally come from things like the middleman, because people think the middleman contributes nothing. He's a parasite on the system, and we should hold him in no esteem whatsoever. I want to hit that so that we're getting both the undefendable and some economic knowledge at the same time. So why don't we start there? What does the middleman do, first of all?

BLOCK: Tom, I'm a professor. I'm never allowed to answer questions directly, and I have to go circuitously, so let me make a few comments before I get into that. Would that be okay?

WOODS: Sure.

BLOCK: Okay. First of all, you mentioned John Stossel. He did interview people on the book, *Defending the Undefendable I*, but it wasn't me. It was Boaz and somebody else, which sort of ticked me off slightly, because it's my book. You'd think if he wants to interview someone on that book, he would interview me.

WOODS: [laughing] Right.

BLOCK: But no, no, no, he interviewed Boaz, and I forget who else it was. Secondly, you mentioned *Defending the Undefendable I*. This reminds me of a joke: a Jewish mother buys her son two shirts, and he goes up and he changes into one of the shirts, and he comes down and says, "What do you think, Ma?" And she says, "The other one you didn't like?" Well, I have two *Defending the Undefendables*. The other one you didn't like [laughing]? I'm kidding, of course.

WOODS: Well, I'm going to do two episodes.

BLOCK: Ah, okay, great. We'll do *Defending the Undefendable I* now and then another episode with *Defending the Undefendable II*.

WOODS: Yes, right.

BLOCK: And I'm working on *Defending the Undefendable III*, but it's not out yet, so we'll do that some other time.

WOODS: Okay, we'll hold off on that.

BLOCK: Okay, the middleman. Sorry, I have to correct you again. It's the middle *person*. You can't have *middleman*. What's the matter with you?

WOODS: Sorry. Now I'm undefendable.

BLOCK: Right, I'm not sure if I accept your apology, because I'm very politically correct, as everyone knows. Okay, the middleman, not the middle person. By the way, person is no good either, because look at the last syllable of person. It should be -

WOODS: Will you get on with it already [laughing]?

BLOCK: [laughing] Okay, the middleman. Okay, the middleman is hated and reviled because he adds to the cost. It would be much easier if the farmer just brought his food to the consumer? That's crazy. I mean, the farmer doesn't bring wheat to the consumer. What would the consumer do with wheat? What the farmer does is brings the wheat to a miller, and then the miller brings it to a baker, and then the baker brings it to, I don't know, I guess a supermarket, and then the supermarket gives it to the consumer. So you have three or four middlemen there, and each one adds costs. So it would be cheaper if the farmer just brought the wheat or the corn or the barley to the consumer? That's crazy.

In my tradition, the Jewish tradition, one of the mitzvahs, one of the good deeds is to cut out the middleman, as in: I can get it for you wholesale. I think Zero Mostel is talking about that. Well, the whole point is that each middleman has to — what's the word I'm looking for? He has to pull his weight. And if he doesn't pull his weight, you cut him out. The reason we have middlemen is because they haven't been cut out. Namely, they make it more efficient for the consumer to get this stuff from the farmer or from whatever it is, the machine or the air conditioner or whatever, shoes. I mean, the shoe manufacturer doesn't sell directly to the consumer either. It goes to the wholesale, to the jobber, to the shoe store, what have you.

So the middleman is reviled and hated, but it's because of economic illiteracy. If people understood that the middleman provides a service — and everyone who offers something for sale is providing a service, because in a free market, everyone is free to decline that service. So if you can get it wholesale, go get it wholesale, and you cut out the retailer. But the fact that the retailer is there shows that he's offering something: convenience, location, who knows what? But he's offering something. So this would be my defense of the middleman.

WOODS: I want to add a little something to this, bringing it into the 21st century a bit, thinking about online stores, where you have a lot of people who run — because I've seen a lot of my own listeners do this. They run little e-commerce stores from their laptop. So let's say they've got a *Star Trek* merchandise store. Almost never do they actually manufacture the products they're selling. They get the products from somebody else. They find them somewhere. And they feature them on a site, and people buy them.

And I think some of them feel weirdly uncomfortable, even libertarians, weirdly uncomfortable about this. I'm not adding value. All I'm doing is taking these products, slapping them up on a website. I didn't create the products. I had nothing to do with it. I didn't have the creative idea. I didn't put in the elbow grease. I'm just featuring them on a website. People click and buy, and I earn a profit. There's a part of them that feels a little weird about this. So what economic value is that adding?

BLOCK: Well, they wouldn't buy from this libertarian electronic person if there weren't something in it for them. They could go around them. Look, the supermarket got rid of - not got rid of, but got rid of 95% of the mom-and-pop stores. It used to be if you wanted to go the grocery before A&P and Safeway and places like that, you'd go to the mom-and-pop grocery, and they had, I don't know, 2,000 items. Now you go to Walmart or Safeway, and they've got 20,000 items or 40,000 items. So they get cut out. Sears cut out a lot of people, and now Sears is being cut out by the electronic ways of selling stuff. So it's a jungle out there. It's red in tooth and claw. People are competing so as to get the best shot for the consumer.

So to these libertarians who are maybe a little guilty about doing this, I would say: go read Hazlitt's *Economics in One Lesson*, or read my book, or read anything of Murray Rothbard or Tom Woods. Right now I'm using your book on religion in my economics and religion course. There's a lot of economics in there, not just religion. So there's a whole sheaf of economic

books for libertarians and anyone else who wants to learn about the middleman and profit and voluntary interaction, because every time there's a voluntary interaction, at least in the ex-ante sense, everyone is gaining. So these libertarians who are selling something on the web that they buy from someone else are providing a service for their buyers; otherwise, the buyers wouldn't buy from them.

WOODS: Yeah, no kidding. No kidding. I mean, look, that's what I try to tell them. You're providing — because first of all, there are a million wholesalers. It's a division of labor. The wholesaler doesn't necessarily know how to reach the general public all the time, or the manufacturer. That's not their job. That's not what they specialize in. It's your job. And you figure out ways to get eyeballs on your website. That's a completely different task from putting together a *Star Trek* figurine. You're doing something different. And the fact is, you're making people aware of something that is going to improve their lives, or otherwise they wouldn't be buying it, that they wouldn't have been aware of otherwise. So you are bringing value, so don't let the propagandists get to you. That's our lesson today from Walter and Tom.

BLOCK: Yes.

WOODS: All right, the next one is the advertiser. Now, I do want to talk about this, because look, I'll admit it. I'm a weirdo in this. I love advertising. I'm fascinated by advertising. I listen to a lot of podcasts; they have advertisers on there. I do not fast-forward through those ads. I want to hear — because half of these people are my friends. I want to hear how do they promote this product? How do they do it? And I also want to know who's supporting them. What sponsors do they have? I find this fascinating. Other people find it really irritating, or in a way, they find it underhanded, like the advertiser exists to manipulate me into buying something I wouldn't buy otherwise. You know all these criticisms already. How do you answer them?

BLOCK: Well, I certainly agree with you that the advertiser is another hero. And in my book, I call them heroes when they're either reviled or hated by everyone and yet do not violate any rights whatsoever and also promote economic welfare.

One way to look at this is that we all advertise. Tom, we're doing Skype now, and I see you're wearing a shirt and tie, and you're looking very good. Well, right now you're probably sitting in your slobby ways and your pajamas or something like that, but we're just doing audio, so you don't have to get all dressed up. When people go for an interview — my college students, you ought to see them come into class in scraggly shorts or whatever, a T-shirt. They go for an interview, and all of a sudden, they're wearing a shirt and tie, and the girls are wearing a dress and high heels, or whatever girls wear nowadays. It's hard to keep track. So they were advertising. They take a shower before they go, even though they might not otherwise do it. They get a haircut or whatever. So we're always advertising ourselves.

Tom, we just had the Super Bowl. A lot of people watch the Super Bowl, but people like you would watch the ads, which is great. I mean, I think some of those ads are really interesting.

WOODS: Yeah.

BLOCK: But suppose we ban advertising. Well, now who is this going to help, and who is this going to hurt? For a long time, doctors and lawyers couldn't advertise, and if they advertised, they would lose their medical license. Well, who does that help? Well, obviously, it helps extant doctors who don't need to advertise because they already have a clientele, or extant lawyers. But if you're a new lawyer or a new doctor and you want to set up a practice and no one can advertise? Well, then you're in trouble. You can't. So advertising helps newcomers. It helps competition, and competition brings about a better product at a lower price.

So one way to figure out what is the benefit of X is to say, well, suppose we forbade X. Who would that help? And we can see it would help extant firms. If Walmart couldn't advertise or Sears or Safeway, it would help the mom-and-pop shops and the mom-and-pop shops who were already there. So the only way the newcomers could come in is they have to advertise.

Advertising, there are three levels of information in economics. The lowest level, the silliest level is perfect competition. In economics, you know, the mainstream people think there's is perfect competition, which is ridiculous. Namely, everybody knows everything about everything, and therefore, there's no reason and no need to have advertising. Well, that's just plain old silly, even though that's what perfect competition is all about, and that's what mainstream economists teach about.

The next level up is a thing by Stigler, George Stigler, who was a Chicago economist, which means vaguely free enterprise, but not really up to the Misesian, Austrian level. And what he says is the only kind of advertising that is justified is name, rank, and serial advertising. Like with a car, you can say, okay, how many miles per gallon, what's the tire pressure, what's the chassis, what's the insurance, whatever, what's the power train thing. Namely, the stuff that an engineer would want to know about the car.

But the Misesian, Kirznerian, Rothbardian way of advertising is you can't account for the fact that when they're trying to sell a car, they've got a beautiful woman in a bikini sort of patting the car. And the critics will say, well, you're really trying to manipulate people. You're trying to indicate that if you buy the car, you get the girl for free, subconsciously. I mean, everyone knows you don't get the girl for free, but subconsciously. No, no, no.

This reminds me of another joke. The mule skinner, the master mule skinner was teaching the neophyte, the apprentice, how to train mules. And he takes a sledgehammer, and he hits the mule on the head, and the mule practically falls down. And the apprentice says, "Why did you do that?" And the answer was — wait for it. I need a drumroll here — "You've got to get his attention. You've got to get the mule's attention." Well, we've got to get your attention. You're the consumer, and I have a product to sell you. First I've got to get your attention.

And the Stiglerian view of advertising is just sort of information of the sort that the engineer would like. Well, that's not going to get anyone's attention. In order to get the attention of people, you have to have a Nazi or a cat or golf or a beautiful woman or something. You have to have, I don't know, a super person, supermen or whatever. So a lot of what advertising is is trying to get people's attention.

Because I teach a class, and I'm teaching elasticity or interest rates, and the kids are bored, because they don't want to learn about that crap. I have to get their attention, so I have to jump up and down and scream and pull my hair out. Well, I'm advertising. And I have to use body motions and give examples. I was teaching elasticities, and I was illustrating with rubber bands to try to get their attention. Well, that's all advertising is, is an attempt to get people's attention. And if you want to have a market and you want to have newcomers, you want to have competition, well, you have to allow people to get other people's attention. And if you ban advertising, as Bernie Sanders would probably want to do, well, then you don't have much of a market.

WOODS: All right, so I think that one's pretty well taken care of. But on the other hand, can I just say, just echoing some of what Rothbard says in, I think it's in *Man, Economy, and State*, that — it might have been Ralph Nader, but obviously not just him, who argues that advertising creates wants that we don't have otherwise, that I would never have wanted or needed this thing if I hadn't seen this ad. And so the ad makes us act like zombies and go to the store and just buy whatever they pitched to us. But if that were the case, then there'd be no need for market research to know what the public wants. Just produce something, make an ad, and like zombies, they'll go out and buy it. So it obviously doesn't work quite that way.

All right, let's look at the slumlord.

BLOCK: Okay, the slumlord, my man, the slumlord. I once did, my PhD dissertation was on rent control, and I'd give speeches about, you know, rent control is no good. And instead of commenting or questioning me about what I was talking about, they kept saying, "Well, are you a landlord? Do you know any landlords? Are you in the pay of landlords?" People just don't

like slumlords. And yet, what's wrong with a slumlord? I mean we have other versions — used books. Used books are slummy books, whereas new books are good books or whatever. We have secondhand cars, used cars. Nothing wrong with a used car. We have markets in all sorts of things that aren't top of the line. I mean, yes, we have Cadillacs and Rolls Royces, but we also had the Ford Focus and the Pinto and things like that ,which are sort of slum cars, in effect.

Well, we also have slumlords, which is mainly for real estate. Well, nothing wrong with inferior, secondhand, kind of used real estate. Yes, the slumlord provides a lousy service, but people want it. Look, McDonald's is like the slumlord of food. In New Orleans, we have very, very fancy restaurants, and then we have McDonald's also in New Orleans, and those are like slum food, the poor people. So there's nothing wrong with selling inferior goods. The inferior goods sell at a lower price. Nothing wrong with that.

Nowadays on college campuses, the kids come with new dungarees and they've got holes in them already, I think readymade holes. I don't understand why that is, but those are slum clothes. Well usually when you get — here's a counter example. Usually when you get slum stuff, it's cheaper. Those dungarees are pretty expensive, so that's a counter example.

So what I'm trying to say in this chapter, look, you don't have to have just Cadillac and Rolls Royce housing. You can also have inferior housing, and there's nothing wrong with that. And usually it's a lot cheaper, and if you are setting out, if you're young or you're poor, it's better to have that than to be homeless. Look, one of the reason we have so many homeless people is we ban slum housing. Slum housing is better than the alternative. Here's another joke. The economist was asked, "How is your wife?" The answer was, "Compared to what?" Well, what are we going to compare slum housing to? Compared to luxury housing? Yes, luxury housing is better. But the comparison is not between luxury and slum housing. The comparison is between slum housing and no housing or being homeless. Well, I'd rather have a slum house, rent the slum house or own a slum house than be out on the street or living in my car. So I defend the slum landlord on the ground that he provides a service that people want, and there's nothing wrong with that.

WOODS: So why do you think people have been so negative toward people like that? Don't they think that somebody like this is taking advantage of the poor, or they're letting them suffer in substandard housing? Like what is the nature of the gripe?

BLOCK: The nature of the gripe is economic illiteracy. Look, suppose I had a magic wand, and I could get rid of all slum housing. It just disappears. Poof. It doesn't hurt any people. I tell all the people to get out of their slum housing, and then I pull the trigger on this magical thing, and there's no more slum housing. Have I helped people or hurt people? Obviously, I've hurt people, because they wouldn't be in that slum housing were that not the best opportunity that they had. And if we take it away from them, we push them further down.

It's sort of like with sweatshops, the do-gooders and the virtue signalers want to get rid of sweatshops, because there's child labor in these other countries, Bangladesh and India, whatever. Well, if we did that, what would those kids do? They might go to prostitution, or they might have to go to a garbage dump to get some food. They're much better in a slum sweatshop. That would be the slum equivalent on the working side. So again, one way to find out if something is virtuous or helpful or pro-economic-welfare is to think in your own line of: suppose it all disappeared. Would we be better off or worse off? Well, we'd be worse off.

This book *Defending the Undefendable* is sort of patterned after Hazlitt's less *Economics in One Lesson*. And I'm not putting my book in the same category as his; I'm just saying that following him. Hazlitt's book is a genius book. But he says, look at the effects not just on the present, but on the future, and look on the effects of any policy not just on one person, but on a lot of other people. Well, I'm trying to do that with the slumlord. I'm trying to say that if we got rid of the slumlord buildings, the real estate, people would be worse off, from which we can deduce that he's a benefactor.

Look, the slumlord doesn't have a gun. This landlord doesn't come up to you in the street and say, "Hey, you either rent my house or buy my house, or I'll shoot you." No, the slumlord sits there, he advertises, and he says, "Hey, I've got this house. It's pretty cheap. You want it? "And you say, "Yes, my God, I'm dying to get this house." And now somehow we say that this is no good? Well, what's the alternative to slum housing? One of them is no housing, and the other is public housing. Well, the government public housing, they throw a lot of money on this.

And here my guru on this is Jane Jacobs, who says that the problem with public housing is like a vertical slum. They don't allow people around whom the neighborhood can coalesce, the neighborhood leaders. They only allow the poor in there, and mostly it's single-female-headed households, and the mothers can't control their teenage boys. And there are no eyes on the street, so there's less safety, because there's no commerce in those places.

In the slums, in the tenements 100 years ago, these were thriving places. It's true they didn't have hot and cold running water, but that was 100 years ago. Nowadays, the slums have that also. Or they don't have that. Look, if you want a place with no hot and cold running water and it's dirt cheap, I shouldn't be in a position to say, well, no, you can't have that. It's sort of like Mike Bloomberg saying you can't have 16-ounce sodas or something. If people want that, then I presume that's in their economic welfare.

WOODS: I've got to do one last one before we wrap up, one last one, just because there's so much — well, in some cases, economic illiteracy, in some cases, just innocent economic ignorance, that people would like to have knowledge about, and that's the speculator. Because you hear *speculator*, and that just sounds underhanded because of the way we've been led to think. And I think some people don't even know exactly what a speculator does. All they know is, whatever it is, it's sinister and underhanded.

BLOCK: Yes, speculator is evil. You're a speculator. You're a bum. You're no good. The way I illustrate that is I take the Bible, and in the Bible, there are seven lean years and seven fat years. And the seven fat years come first. And during the fat years, you have a lot of crops, and the prices are pretty low. And the speculator thinks that seven years from now, there's going to be very little food. So what he does is he buys up food cheap, because right now there's plenty of food and the prices are pretty low. Supply and demand will indicate that.

And what does he do with his food? He sticks it in a barn, or he sticks it in a basement, or he sticks it who knows where? And now there's a frost or whatever, and then there's hardly any food. And now what the speculator does is he disgorges the food that he saved up, and he sells it at a very high price. And people are saying that he's taking advantage of poverty and taking advantage of starvation, and he's selling it at a high price. That's why they hate him.

But the economics of it is what he's doing is ironing out the oscillations. See, during the fat years, prices are very low, and during years, the price is very high. But what he does is during the lean years when prices are low, he buys, so he raises the price. And during the lean years when prices are very high and there's hardly anything around, he disgorges from his silos, and he lowers the prices and increases the amount of food. So what he's doing is ironing out the oscillations of fat years and lean years. But he's caught selling at a high price, and people are saying, well, if he had any decency, he would sell at a low price. But the point is, if he's going to be a - here's another joke. Economics is not a joke, but economics has funny -

WOODS: I know exactly which joke this is, but go ahead [laughing].

BLOCK: Go ahead, go ahead.

WOODS: Is it the one about raising prices, lowering prices, keeping them the same, or is it different?

BLOCK: No, the old speculator was on his deathbed, and he was teaching the young speculator how to do it. And what he said is, "Buy low, sell high." That's the joke. Well, what the speculator did is he bought low when there was plenty of food and prices were low, and

then he sold high. But when you buy low, you raise the price, and when you sell high, you lower the price. So he's ironing out the oscillations of prices and also ironing out the oscillations of the quantity of food. Because during the fat years, there's plenty of food, and he takes food away. Where does he put it? He puts it in a barn or a silo.

WOODS: All right, so again, let's try to analyze this the way you did other things. Suppose we take away the speculator's function.

BLOCK: Right.

WOODS: Is society better off or worse off? Obviously, that means that at a time when we desperately need food, there'll be less available, right?

BLOCK: Yeah, much less available, and there'll be starvation. So the speculator's a hero. My man, the speculator.

WOODS: Yeah. All right, so look, we spent today talking about the classic, original text *Defending the Undefendable*. I'll link to that at TomWoods.com/1593. But we didn't even scratch the surface of the people who have been demonized in our society who are rehabilitated in this book, and tomorrow, we're going to go on to volume II, that I bet many people don't even know exist. We're going to give that little shot in the arm with *Defending the Undefendable II*. So we've got a continuing rogues' gallery to rehabilitate tomorrow, so make sure and tune in for that. Thanks, Walter.

BLOCK: Thanks, Tom, for having me. It's always a pleasure.