Guest: Antony Davies and James Harrigan

WOODS: All right, well, we always need books covering topics like this and written in the way you've written this book, because this is a book that could not be more accessible to the general public. It's not meant for a scholarly audience, although I consider myself to be a scholar and I certainly benefited by reading it. But it's meant to be readable, and the arguments are meant to be common sense. I wonder, though, this is the kind of book that we could have written 100 years ago, 50 years ago, 10 years ago, because it's so drearily the same, the arguments we're up against. I sometimes think being an economist, for example, must be one of the most depressing jobs, because you go through your whole life, and then on your deathbed in the hospital, the TV news is on and there's been an earthquake, and the nurse attending to you says, "Well, at least it'll create jobs." And you just think, *oh, was it all in vain?*

DAVIES: I know, that's exactly right. Yeah, you've got to reteach every generation.

WOODS: Right, right, so what inspired you guys?

DAVIES: This started out as a MythBusters book. It was just a collection of stuff I had put together over years of things that people believed about the economy that were not correct. And so James and I got together, we write lots of op-eds, and I said, "Look, why don't we mold this thing into a book?" And he looked at it and he said, "This is horrible." So it needs an underlying theme. So we sat there and we talked about this for years, until we finally, once we tripped on to the theme, it made perfect sense and everything all fell together, which is that all human beings everywhere throughout history have always organized themselves according to one of two principles: either cooperation or coercion. And once you understand that, you understand everything else.

WOODS: The trouble is — of course, that's the way I like to explain it, because there's something naturally appealing about the idea that we're cooperating peacefully, that no one's being forced to do anything against his will. And that when you do that, the result is actually a naturally ordered society, and it's really an astonishing phenomenon. And you try to explain it that way because, as I say, you feel like people have to find this appealing, morally appealing, aesthetically appealing even. And what you tend to get in return a lot of times is the idea that you're being naive, because you don't understand that in some ways, you are being coerced by corporations, so that you're just naive. All you can see is the problems caused by the state, and you can't see the problems caused by these other institutions. Do you have a pithy response to that, either of you?

HARRIGAN: Yeah, of course. I mean, if you are in fact being coerced by a non-government entity, you have every ability to walk away from that relationship, and that keeps everybody in line pretty nicely, actually. Corporations have to serve their customers. When they don't do that to the degree the customers want, customers go find another option. With government authority, there's no such animal. You're in, and there's no way out. And it is just that simple.

WOODS: Your book is divided into two parts. The first part is "How We Got Here," and you've got sections on The Knowledge Problem and some other topics there. And I do want you to summarize for me, kind of situate us in the problem, of how indeed how we got here. But I wonder, are we taking for granted that the people in political office, maybe at least when they got there, before the public choice incentives took over, are we taking for granted these

are good, decent people who just want to improve our living standards and our quality of life? Do we have to assume that? Because I know that I would even ask Ron Paul this, and I would say, "Don't you think some of these people just enjoy wielding power over others?" And he really wasn't willing to go down that road. He really thought they were genuinely just misguided. They really didn't understand economics. Do you think that's really all it is?

DAVIES: Well, I would imagine that it's the same brand of homo sapien in both cases, the government and the private sector. So to the extent that there are good, caring people in one sector, you're going to find good, caring people in the other sector. To the extent that you have smart people or idiots in one sector, you'll find the same mix in the other sector. There is one difference, and that difference is that market relationships are at their root cooperative. As James says, you can walk away if you don't like what's being offered. Governmental relationships are by their nature coercive. You cannot walk away. And so when you get a brand of human being, and thankfully there aren't many like this, but when you get a brand of human being who actually wants to seek power for its own sake, who wants to control people, that person is going to be more apt to be drawn to government than he is to be drawn to the private sector, because it's in government rather than the private sector that he can fulfill that need.

WOODS: Can we talk, even though I'm skipping ahead to the very last section of your book, about exactly what we mean by cooperation? Because sometimes when people like you and me think of cooperation, we don't just think of: some neighbors came together and they built a park. We think in terms of like the global division of labor as being an extraordinary example of cooperation. But I think it's hard for people to see that, because they think, well, there's nobody in charge — because if I built a park, probably two or three of us are in charge, and we're telling the other neighbors what to do, and it all comes together. But there's nobody in charge of the global division of labor. And in fact, there are a lot of competing firms in it, so it doesn't look like cooperation, even though in its fundamental aspect, it really is.

HARRIGAN: Well, it's the fundamental aspect portion of the program that we really want people to think about. So if you can just conceive of an average day in your life: you wake up, you go about your business, and what do you do? You interact with your family, and then you're out probably on the road, at least when the coronavirus has subsided, to go to work, and you drive, and you're dealing with all kinds of people at the store, and what have you. And none of those relationships in the course of an average day, are really managed by anyone. We're on autopilot, so we tend not to appreciate just how much we cooperate on a day-to-day basis. But it really defines the entirety of our lives. Every good part of our life that we tend never to think about is defined by this idea that we're all in this together, more or less, and we all have to negotiate with each other in a complicated world.

And it comes to be the case that this negotiation, which most people assume has to be covered somewhere, some authority has to dictate how this happens, actually, it's just second nature. And how do you know this is the case globally? No matter where you go, it's the same kind of answer. You can go to Europe, you go to South America, you can go to the Middle East. Every place you go, people just kind of slide into a life involving all the others, and we never give it a second thought. And we're asking: please, give it a second thought, because this part of human life is really the interesting part. And it's the part that yields all the greatest of things. It's just a curiosity that we don't think about it enough.

DAVIES: One of the places that people get this wrong from the start is in thinking about the economy as a thing. And if you think about the economy as a thing, it's natural that you would think in terms of managing this thing. And if this thing did the following things, we could get more money or more computers or whatever it is.

And it's a completely wrong way to think about it. The economy is not a thing. It's an abstract term that we apply to billions of individual interactions between individual human beings. And

a lot of these human beings as they interact will make mistakes. They'll make choices that are that are bad for them or bad for their neighbors or whatever it is. But generally speaking, they make decent decisions. And the reason I know that is because typically there's nobody who knows better what decision an individual should make for him or herself than the individual him or herself alone.

And so when you think about the economy as actually this conglomerate of billions of individual relationships, you realize that it can't be managed. In fact, the only way to attempt to manage it is to enslave each of those billions of people and tell them what they should and should not be doing. And immediately then, you can see the problems that are involved. And this is why economists keep saying over and over again, generally speaking, free markets are a much better solution for eradicating poverty than any sort of governmental sort of apparatus.

HARRIGAN: And we should be clear here: that's economists on the left and the right. There's overwhelming agreement in the economist world on this point.

WOODS: And I think that's actually a good transition into discussing another of your sections. And this one's called "The War on Nouns." We've had a lot of back and forth among people about pronouns, but this chapter is on much more fundamental subjects than that, because we have seen the federal government and the United States waging wars on abstractions like poverty, or in some cases something like drugs, or terrorism. Or I remember I think it was Jimmy Carter who said that, in fighting against high oil prices and oil shortages, this was the moral equivalent of war. And even right now with the virus, we're hearing wartime language and wartime powers being seized. That war metaphor is so potent for them. That itself is an interesting question. Why is it that declaring a war on something seems to be their first go-to?

HARRIGAN: You know, when we talk about the war against certain common nouns, the thing that creeps out: how do you know when you've won? And I don't think there's a particularly compelling answer to that question. So when we get, for example, Lyndon Johnson declaring war on poverty, when is that going to be over? Reagan comes along decades later and says, "We fought a war against poverty. Poverty won." And that might be the only way to look at this sort of thing, because when we shift gears and go to Nixon's war against drugs, which actually Reagan furthered, well, how's that working out for us? Because it seems that that's an unwinnable war. So too the war against terror. How do you know when you've won?

And the net effect that these things have is they increase government authority, and people look at these things as necessary exertions of government power over us, given the nature of the problem. Antony and I are asking people to think: maybe there's a better way to look at this. And can we take a break from the language of war and ask instead questions, what do people want? Because you might get radically different approaches if you just ask that question.

DAVIES: The thing is never ending, but more than that, it transforms over time. We start off with a war on drugs or war on poverty, and it very quickly becomes instead a war on drug users and a war on poor people. Because the abstraction can't be fought, but the manifestations can be. And before you know it, you're in a space in which the government has set itself at odds with its own people.

And this is part — it's only part; there are other factors, but it's part of what contributes to the tension between people and police, citizens and police today in this country, because we put police in this untenable situation of asking them to enforce laws that a large swath of the population thinks are actually immoral and another large swath of the population actually doesn't care about that much at all. And yet, we're asking the police to enforce these laws — think about the war on drugs — where we're then telling them that this is a war. We're putting them in a war mentality. And of course, the citizens do what comes naturally: they react to that. And they react with negativity toward police, which cause the police to be apprehensive of the citizens, which causes the citizens to be more apprehensive of the police. And you end

up in this situation where the government has pitted itself against its very citizens in the name of waging war on an abstraction.

HARRIGAN: And the crime as well is that we don't even think about it as it's happening.

WOODS: I think they particularly appreciate the war type of language, because they can appeal to real-life successes they can claim they've had. Like for example, the United States did win World War II. And what did that involve? That involved bringing together all of society, marshaling all of our physical and ideological resources together, socially and otherwise, economically, toward one single goal without dissenters.

And that's the kind of model I think they want to — for example, the New Deal very much had war analogies in it, because the thought was: we planned during wartime. Why can't we plan during peacetime? And the issue of whether the wars are justified is another matter, but you can understand at least the logic of why you plan during war. But during peacetime to carry that over — again, I understand also if you were a fascist why you would support this, because you would say:

During wartime, we put aside our regional differences and all the things that make us different, and we just became Italians. And that's what we need, is to get back, is not all these stupid local differences and everything, but what makes us common, what makes us all the same, what takes away all the differentiation. We want similarity.

But if you were somebody who favored individual liberty, I don't get why you would be drawn to war metaphor, because all those things about war they're talking about can make sense during a war, but they're not desirable during peacetime.

HARRIGAN: And we can go a step further. Antony and I ran the numbers on this some time ago, so they may be a little off by now, but only a little. If you take the expenditures that we've made in pursuit of these three wars that we're talking about, the war on poverty, the war on drugs, the war on terror, it comes to about $23-24 trillion over time, which is exactly where our national debt sits right now. So put it in perspective. These things are very, very costly. And I think you have to reasonably ask the question: are they even close to worth what we've spent? And I can't see a way that you can conclude that they are.

WOODS: And you're right that there's obviously no time at which they're going to say, *Well, we'll just call it off, because either it was a fool's errand to begin with, or we've achieved the goal*. And in a way, it almost makes you think this is almost the kind of thing that they thrive on, is precisely something that can't be won. There will always be some people poorer than others, no matter what. And you're never going to get rid of all drug use, and you're never going to be able to wipe every terrorist off the face of the earth. So this is the sort of boondoggle that makes the thing run. I mean, I realize how cynical that sounds, but of course I think most people listening to this won't find it so cynical, but I want to ask you about that in just a minute.

[Sponsored content]

All right now, did you think what I said before the break there was too cynical.?

HARRIGAN: I don't think you're being cynical enough, because if you really dig into it, the absolute necessary ingredient is fear.

DAVIES: Yes.

HARRIGAN: And I think that's the fuel that makes the engine go.

DAVIES: It's a politician's dream. It never ends, and so long as it doesn't end, this is an opportunity to further political power. We can lock down the population a little bit more. I can force people to do things I think they should be doing. Furthermore, I can spend money and spend money wherever it's needed, but also in terms of paying people who are going to support me, my cronies. What we're doing with these wars is effectively calling for

government to spend a tremendous amount of money to no end except for increasing the power and the ability for politicians to reward cronies.

WOODS: I want to raise an issue that I was glad to see you hit, because I've seen it mentioned a lot and I haven't frankly been sure precisely what the answer is, and that has to do with in your Busybullies section, the stuff about marijuana particularly in Colorado. Now, I like that term "busybullies," by the way, because a busybody —

DAVIES: Isn't it great?

WOODS: Yeah, I mean, a busybody can be irritating and they won't mind their own business, but there's really nothing they can do to hurt you. But when you're a busy body and you have the cores of apparatus of the state, that's a rotten combination. So the argument has been that in the wake of the legalization there, that there have been problems, and that people who favor the legalization have just closed their eyes to the problems. And these problems include public safety, public health, and we have to maybe consider turning back. In fact, Mike Bloomberg, as you'll recall in his ill-fated presidential campaign, had said at one point that legalizing marijuana in these various states was possibly the stupidest thing we've ever done. What do you say to that?

HARRIGAN: Well, the first thing I say to that is, thankfully, Mike Bloomberg is going to spend the rest of this political season at home on his couch.

WOODS: That chapter could have been all about him. I mean, he's the worst [laughing].

HARRIGAN: It really could have been. And when Antony and I coined the term "busybully," it was in an article we wrote about the soda tax in Philadelphia, where a bunch of people in power got together and decided, well, let's just make soda more expensive so these poor fools out there who want it won't be able to afford it and will then buy less of it. And you start seeing this sort of behavior just about everywhere you look.

But as we get to Colorado with marijuana legalization, a batch of funny things happen. Antony and I got to the data on this after legalization, and what we found was that counter to all claims to the contrary, crime across the board was down in Colorado, down after legalization occurred, and it was down in every single category. And that's a little strange when you think about it, right? What does marijuana legalization, for example, have to do with the murder rate? Near as we can tell, nothing, but the murder rate was nonetheless down.

Now, you can make, I think, a pretty strong argument on aesthetic grounds, that we don't like the smell of marijuana in our midst. We don't like the people panhandling in the streets, and that seems to have increased since marijuana legalization. The argument you can't make is that, somehow, Colorado turned into a post-apocalyptic hellscape, which was what was predicted before legalization. Actually, what happened was very predictable. Life went on as normal, and people just went about their business. And now they can smoke marijuana if they so desire. No victims anywhere to be found.

DAVIES: It's important to point out that busybullies particularly are something that you find on both the left and the right. This is not a partisan thing.

WOODS: Yeah, no.

DAVIES: And it occurs with really weird contradictions, because on the right, you'll tend to have people who will profess to believe in individual rights and individual freedoms, and yet want to use the government to force people to go worship in a certain way or not in a certain way, these sorts of things, do away with prostitution, which is clearly antithetical to individual freedom.

And then on the other side of the political spectrum, you'll get people on the left who profess to be very interested in promoting diversity and diversity is very important. Well, it turns out that the reason Michael Bloomberg can't understand why some people want to take drugs is because of diversity. We're all different. We have different tastes. We have different abilities,

we have different circumstances. And because of that, a particular decision that is good for Michael Bloomberg, for example, is not necessarily good for somebody else. And if we allow Michael Bloomberg to make decisions for this other person in his role as a busybully, all it does is destroy the quality of life of this other person.

HARRIGAN: Yeah, it's no surprise that paternalism raises its ugly head generation after generation. And I think you have to see it for what it is: it's when one group of people says you should not want to live the way you want to live. That's really the problem. Frankly, that's none of anyone's business. But politicians make it their business, and thus busybullying is born.

WOODS: I guess a lot of people probably can see this and agree, especially when it comes to something they themselves want to do. Then they're all up in arms about it. But when they think about other people, they think:

These other people who are beneath me, well, these other people do need to be told what to do, because if they're left to their own devices, they're going to ruin their lives, they're going to be self-destructive, they're going to become drug users who make bad decisions and hurt their families. So yeah, I shouldn't be told that skiing is too dangerous or skydiving is too dangerous. I should be able to make my own choices. But these people over here, well, they surely do need our wise intervention.

I think that is part of the reason that this stuff persists.

HARRIGAN: This points exactly to what's been lost in the United States. Being free really requires that you allow everyone to make their own decisions. That's what freedom is. It's the willingness you have to say, "Okay, do as you will, as long as you don't harm anyone." And the harming of oneself, that's a choice, and the harming of others, that's about where we need the coercive apparatus of the state. We have to make sure that people don't harm each other.

DAVIES: There's a human dignity question here, and that is, if we are to respect each other as being equal human beings — and by "equal," I mean equal in human dignity — then, as hard as it may be for us, we must acknowledge that we each have the right to destroy our own lives. I'm not advocating that we do that, but that falls under the heading of human dignity. It is my life, I get to choose what I will and will not do with it. And if you're going to honor my ability to choose to do what I will and will not with my life, then de facto you've got to allow for the possibility that I will make bad choices and I will destroy it. To take that away from me in the name of forcing me to make better choices is to achieve what I consider a lesser good, which is now I'm going to be forced into making better choices at the expense of this much greater harm, which is you have removed my human dignity.

WOODS: I'd like to ask each of you a question about how you came to have this fundamental insight about coercion versus cooperation, because for me, it was actually sitting in an economics class. I mean, I already was kind of more or less a free market person, but I didn't have any really sound grounding in it, let's say.

And then this simple insight of you have an industry where profits are going through the roof, and these profits going through the roof attract new entrants into that industry, which means more of that thing that people in society are demanding will now be created. And that is going to bring profits down in that industry. Then there's an industry where they're suffering losses, and because nobody wants to suffer losses over a long period of time, some of those firms will exit that industry, and those resources will go towards something people demand more. So there's no need to get a bullhorn and shout out, "You're making losses. Better go out of business." People just figure that, of course, that's what they want to do. Whereas likewise, when people demand particular products and you have profits going crazy, people naturally want to enter those areas. So there's no need for somebody to organize production.

The preferences of consumers are met through the use of profit and loss and the price system.

And when that was explained to me, I just thought, oh, my gosh, that's miraculous how that works. That's amazing. How did I not know that before? And it was from that point on that I thought, I guess society really can, in effect, order itself in various ways. Just that simple, dumb-guy insight just changed the way I looked at the whole world. Did either of you have a lightbulb moment like that?

DAVIES: I did, and it occurred toward the end, believe it or not, of writing this book, because I came at this idea of cooperation and coercion, my starting point was what you described as your ending point. And that is, coming up as an economist, I understood all the benefits of free markets and individual decision making, all of this, and I saw no role for government at all. And it was in writing the book that I realized, wait a minute, coercion is important. This is not a story of *cooperation equals good, coercion equals bad*. It's a story of what's good is the right combination of cooperation, coercion. We want some coercion. I don't want people dumping trash into the river. I don't want people breaking into my house. And I will happily use coercion to prevent those things from happening. I would prefer that the government do it on my behalf, but I would like coercion to be used to stop those things from happening. But I do not want coercion used to tell me what sorts of drinks I should be drinking, what sort of drugs I should put into my body.

And once I had that lightbulb experience, I realized that this is not a story of picking one end point or the other, cooperation or coercion, but rather finding the right mix. Under what circumstances is government the right tool for solving problems, and under what circumstances are markets the right tool for solving problems?

HARRIGAN: And I'll just add very briefly to that, coming at the same problems from the perspective of a political scientist, well, from Aristotle to Jefferson, we get this idea that some level of government is absolutely inescapable. And as a classically liberal political scientist, I side with Jefferson and Madison more or less on these issues, thinking that, okay, if we're going to have this thing and it's necessary, then it should only govern to the extent that it is in fact necessary. And the rest should be left on the table as a broad swath of freedom for the people who live under said governments. And that's about where I think we've gone off the rails. We understand, all of us, that some level of government is necessary, but what we can hope to accomplish with it as a tool, that's where I think we've all lost sight of the obvious facts of the matter.

DAVIES: And James has long said words like that to me over our years of being together, and I would always come back with: "Well, name anything you think government should do, and I can give you an example of markets doing it and doing it better." And so this is where our discussion was for a long time. I sat on the side of markets or what economists call spontaneous order. Leave people alone, and solutions will emerge. Until one day we're having this conversation, and it suddenly dawned on me: oh my God, government itself is the result of spontaneous order. Always throughout human history, there has never been a society that did not evolve some form of government. That tells me empirically that government itself is providing some valuable service to the marketplace that the individuals themselves can't attain.

WOODS: All right, now we have to have a whole other episode to hash that out, because I'm not entirely convinced by this line of argument. However, you gentlemen are saved by the bell, because we're just about out of time.

HARRIGAN: [laughing]

WOODS: But that that is a topic, I don't know if Ed Stringham over at the American Institute for Economic Research.

DAVIES: Sure.

WOODS: Okay, because he had a pretty good back-and-forth with Randy Holcomb in the *Journals* on this on this precise point, so it might be something worth revisiting. But in any case, the book we've been talking about is *Cooperation and Coercion: How Busybodies Became Busybullies and What That Means for Economics and Politics*. I'll link to that at TomWoods.com/1615. And I'd like to thank both of you gentlemen for this great book and also just for your skill, as I'm sure the listeners can appreciate and hear themselves, in explaining this persuasively to the lay audience. Thanks again.

HARRIGAN: Thank you so much, Tom.