

Comments on Bernholz

Committee IV

The Economic Approach to International Relations

by Walter Block

The author of this paper starts off by assuming the existence of "rational actors with unchanging preferences" (1). This may appear to help with his goal of deriving "general and testable relationships and propositions" (2), but it does not. For suppose that one of them is not supported by the evidence. Bernholz is then faced with a choice. He can conclude that a) the posited relationship is false; b) the people involved changed their preferences; or c) the underlying economic theory is incorrect. Arguably, option b) will be the most tempting. But if this is resorted to, in what sense will the evidence be testing the hypothesis? Another difficulty is that unchanging and "transitive" (3) preferences are not irrational, except in an artificial and stipulative sense of that term. Do not rational people ever change their minds?<sup>1</sup>

Bernholz's treatment of the concept of anarchy (3) is likewise suspect. He uses the word as a synonym for "chaos", instead of the more etimologically correct "without archy", or in the absence of government. In this sense, it is an open question as to whether a situation of statelessness must inevitably descend into chaos, brutality and disarray. In Bernholz's analysis, this question can not even logically arise. Any such possibility is definitionally closed off. What happened to his emphasis on testable hypotheses?

This issue is of more than mere academic interest since Bernholz contemplates with equanimity the absence of a "world state" (3), i.e.,

the presence of "partial international anarchy" (4). But if anarchy inevitably leads to the destruction of law and order, and thus to chaos, indeed, is definitionally indistinguishable from such a situation, what about the existence of anarchy between the separate nations as at present, when there is no single, unified world government? Should we not be plunged into total chaos, at this very moment, since a state of anarchy now exists on the international scene?

Intranationally, Bernholz contends that government is brought about (and justified?) so as to solve the prisoner's dilemma of the state as public good, subject to free riding. In this way, according to him, everybody can agree to be forced to respect law and property rights and to bear his part of the burden to provide them" (3). But if this is true for any one nation, why does it not also hold for the world as a whole? Surely, if law and order and the upholding of human and property rights is a public good within any one country-- subject to riding and thus depletion by hordes of free riders-- then this also applies to the entire globe. If the existence of a public sector can be grounded in this manner in the former case, it is a breach of logic to deny that this analysis applies in the latter.

Further, it is no less than a logical contradiction to suppose that a person "can agree to be forced" to do anything. If someone has to be forced to bear "his burden", by that very fact we know he has not agreed to any such thing. And if he agrees, why is it necessary to force him? Leaving this small matter to the side for the moment, we can ask why it does not apply internationally. That is, why haven't the governments of the various countries "agreed to be forced" to amalgamate into a single world government?

As far as free riding is concerned, Bernholz uses this as a justification for setting up a state. But the concept could as easily be

utilized to show why (world) government has not arisen. In this view, defense and security is a public good. If I (my country) invest(s) the time, effort and resources necessary to set up a (world) government, it will benefit you(rs). But I (we) shall not be able to capture all the fruits of my (our) endeavor. Thus, this enterprise shall not be undertaken in the first place. Two points must be made here. First, free riding cuts both ways: it is as much an explanation of why governments will not form, as for why they do.<sup>2</sup> Second, there is an exact parallel between local and world governments in this regard.<sup>3</sup>

Also unsettling is Bernholz's facile contention that the role of the state is to protect persons and private property rights, (3,4), and the well-being of its citizens" (5), rather than to abuse them. To be sure, this accords with the rhetoric commonly employed by all governments, but the role of the economist or social scientist is surely to probe beneath the surface down into the underlying reality. In contrast, other commentations have modeled the state on the pattern of the criminal gang.<sup>4</sup> In this perspective, the only essential differences between government and robbers are the extent of depreciation, and the patina of legitimacy which surrounds the former.<sup>5</sup> They both supply "protection services", and each engages in violence, so the threat thereof, in order to "force...(a person) to bear his part of the burden." Surprisingly, Bernholz himself contradicts his view of government as ultimate do-gooder when he concedes that, typically, "rules wanted to extract as many resources as possible from the economy" (11)<sup>6</sup>.

We arrive, now, at Bernholz's discussion of the different structures of the international system. He likens this to the different categories in current use by no classical economists in their study of industrial organization, analogizing between firms and countries.

For example:

# of entities	international politics (countries)	I.O. (firms)
8	multipolar	monopolistic competition
3 n 7	balance of power	oligopoly
n = 2	bipolar	duopoly
n = 1	hegenomic	monopoly

The problem with this perspective, however, is that it is only as good as the economic categories which underlie it, and these have been subjected to withering and incisive refutation<sup>7</sup>. There is nothing wrong with importing economic concepts to the area of international relations, or any other for that matter. But care should be taken to scrutinize those concepts before such reemployment is undertaken.<sup>8</sup>

A noteworthy aspect of this discussion (12-19) is that there is nothing in the formal apparatus to decisely pinpoint nations as the actors involved in the strategic maneuvering, the forming and breaking apart of alliances. We have already probed the resemblance of nations to gangs. But this analysis would appear to be applicabile to numerous games which feature three or more players, where there is scope for such behaviour. For example: Diplomacy, Risk, Monopoly, King-of-the-hill, Tag, Hide-and-seeK, Chinese Checkers, etc. This is a double edged sword, at once an advantage and a disadvantage. On the plus side, the greater generalizability gives scope for far more empirical illustrations and observations. On the negative, there is the enhanced risk of trivialization.

Let us now criticize how Bernholz analysis the issue of democracy. He states "in a democratic decentralized political system, the government has to rely on majority decisions to extract resources for arms" (9). In other words, one man-one vote determines matters in a democracy. Assuming that this description applies to countries in North America, or

Western Europe, there would appear to be a wealth of theory and empirical data to indicate the exact opposite. First, there is Milton Friedman's analysis, which is based upon the differential concentration of producers and consumers.<sup>9</sup> The former are far more able to act in concert than the latter. As a result, they are able, in a democracy, to wield a disproportionate share of what political power there is. Secondly, there is a wealth of historical data which at least purports to show that on numerous occasions, politicians such as Roosevelt and Johnson ran for election on a peace plank, and then plunged the country into a war-which necessitated the investment in arms on a scale not contemplated by the electorate.<sup>10</sup>

We conclude with remarks on the propensity to initiate war. Bernholz claims that the more centralized is a polity, the more likely it is to begin hostilities and engage in invasions of the territory of other nations (18). The problem for economists in this regard is that they have so special expertise or skill in the determination of which countries actually initiated a war in any given historical epoch. If it were simply a matter of recording the dates of formal declarations of war, there would be no problem. But suppose country A "goaded" country B into formally declaring war first, even though it was clearly the aggressor? Alternatively many wars in the past, and most at present, are never formally declared. The initiation of war may be more objectively determined on the basis of which country first invaded the territory of the other. But there are problems here, too, in that on this criterion it was the U.S. not Nazi Germany, which initiated World War II. After all, the former made incursions into the territory of the later, the reverse never occurred at all.

## FOOTNOTES

- 1 For an alternative and more realistic definition of rationality in terms of purposiveness, see Ludwig von Mises, Human Action, New Haven: Yale University Press, 1949
- 2 See Jeffrey Rogers Hummel & Don Lavoie, "Anarchy and Public Goods", Review of Austrian Economics, forthcoming.
- 3 See Murray Rothbard, "Robert Nozick and the Immaculate Conception of the State", Journal of Libertarian Studies, Vol. x, No.y, 1922
- 4 See Murray N. Rothbard, Power and Market; idem., For a New Liberty; idem., The Ethics of Liberty. Also O. Woolridge, Uncle Sam, The Monopoly Man; Lysander Spooner, No Treason; idem., The Constitution of No Authority
- 5 It may be easier for the reader unaccustomed to such a comparison to think in terms of governments such as Nazi Germany, Idi Amin's Uganda, or the Soviet Union, Cuba, or any of the other countries behind the iron curtain.
- 6 This is called "rent seeking" by many commentators, but in view of our earlier remarks, a better term might be "loot seeking" or "booty seeking" or "pillage seeking". Of course economic rents, in the technical sense of alternatives foregone, are also sought in such activities. But this is only of superficial importance. Their essential nature is best brought to the fore by terminology which indicates that were these actions undertaken by private individuals, there would be no question of their criminality.
- 7 See ftnt x, above, and discussion, pp. yy. Similarly, with regard to Bernholz' heavy reliance on indifference curve analysis, to say nothing of his social utility curves, which purport to sum up those of individuals see Walter Block "On Robert Nozick's 'On Austrian Methodology'", Inquiry, Vol. 23, No 4, Fall 1980.
- 8 This point is made in a very important article by Thomas DiLorenzo, "Public Choice and Praxeology (inexact title), The Review of Austrian Economics, Vol. II, 1988
- 9 See his Capitalism and Freedom. Also James Buchanan and Gordon Tullock, The Calculus of Consent.
- 10 See, Harry Elmer Barnes; JPT Taylor; Gabriel Kolko; James J. Martin; Robert Higgs.