

Rothbard Contra the Demagogue

My *How Evil Are Politicians?* is subtitled *Essays on Demagoguery*. “Demagoguery”: though my fellow economists rarely use the word, it’s the essence of politics. If you listen to successful politicians speak, and fail to realize that they’re speaking strings of pretty lies, you’re missing the point. To understand politics deeply, just ask one follow-up question: “Why is speaking strings of pretty lies the path to power?” The bitter answer: Because in politics, pretty lies are what most people want to hear.

Since most economists neglect the vital concept of demagoguery, I am hyper-aware of counter-examples – economists who take demagoguery seriously. Recently, while re-reading a passage from his *Power and Market*, I remembered that Murray Rothbard is one such counter-example. In fact, the book uses the concept five times to make three distinct points.

First, while the “survival of the fittest” operates in both markets and politics, political fitness is very different from market fitness:

[T]he vital criterion of “fitness” is very different in the government and on the market. In the market, the fittest are those most able to serve the consumers; in government, the fittest are those most adept at wielding coercion and/or those most adroit at making demagogic appeals to the voting public.

Much later, he adds details. Slightly exaggerated, but basically correct:

A further reason for governmental inefficiency has been touched on already: that the personnel have no incentive to be efficient. In fact, the skills they will develop will not be the economic skills of production, but political skills—how to fawn on political superiors, how demagogically to attract the electorate, how to wield force most effectively. These skills are very different from the productive ones, and therefore different people will rise to the top in the government from those who succeed in the market.

Second, demagoguery works well. Telling pretty lies about government paints a bizarrely optimistic picture of government, which most of us naively accept:

It is curious that people tend to regard government as a quasi-divine, selfless, Santa Claus organization. Government was constructed neither for ability nor for the exercise of loving care; government was built for the use of force and for necessarily demagogic appeals for votes. If individuals do not know their own interests in many cases, they are free to turn to private experts for guidance. It is absurd to say that they will be served better by a coercive, demagogic apparatus.

Third, anti-market paternalism is itself an expression of demagoguery. Politics, not markets, is where most people's grasp of their own best interests is reliably poor.

[T]he proponents of government intervention are trapped in a fatal contradiction: they assume that individuals are not competent to run their own affairs or to hire experts to advise them. And yet they also assume that these same individuals are equipped to vote for these same experts at the ballot box. We have seen that, on the contrary, while most people have a direct idea and a direct test of their own personal interests on the market, they cannot understand the complex chains of praxeological and philosophical reasoning necessary for a choice of rulers or political policies. Yet this political sphere of open demagogy is precisely the only one where the mass of individuals are deemed to be competent!

In the past, I've heavily criticized almost all of Rothbard's alleged analytical contribution to economics. With few exceptions, his a priori arguments turn out to be logically invalid. Instead, like Mises, Rothbard shines as an empirical political economist. Let's give him credit where credit is due.

To understand the social world, we don't need a new economics. Standard textbook economics is surprisingly solid. Even the "market failure" parts, understood correctly. We just need to acknowledge that standard textbook economics, though intellectually sound, is

emotionally unappealing. Which leads the world's power-hungry people to embrace intellectually unsound but emotionally appealing ideas. In a word, "folly." They embrace folly rhetorically to gain power. And once they have power, they use folly to make policy.

What is to be done about demagoguery? All the easy answers suffer from a catch-22, but as usual, the first step is admitting that we face a dire problem.