

Book Reviews

KNOWING AND DECIDING

A society is a hierarchy of decision-making organs: individual people at the bottom, the sovereign at the top, and in between such diverse entities as commercial firms and their departments, local governments, clubs, and many others. Good decision-making depends on the availability of relevant knowledge; different kinds of knowledge have different costs of acquisition for different social units, and accordingly the most efficient society will allot responsibility for various categories of decision to those organs which can acquire the necessary knowledge relatively cheaply. Most of the knowledge relevant for making steel refers to general chemical and physical processes which are the same everywhere, so that the steel industry can safely be controlled by managers in distant offices; successful agriculture depends on knowledge about soil conditions in individual fields, the state of health of individual animals, and the like, so farmers must make their own decisions.

Thomas Sowell's *Knowledge and Decisions* (Basic Books, New York, 1980) begins by developing these ideas about the role of knowledge in society; he suggests that complex modern societies differ from primitive communities most crucially in that they permit individuals to economise on the amount and diversity of knowledge they need to deploy in their practical lives. He argues that the type of society which succeeds best in promoting this knowledge-economisation is a society relatively free of governmental regulation (since it is in the nature of such regulation to distort the process of economic knowledge-transmission), and he points out that the Western world has in the twentieth century been moving away from that political ideal.

The second half of the book expands on this last point. Sowell examines the many ways in which government intervention has been increasing in recent decades, not just in the narrowly economic domain but in a wide range of social activities.

One topic in this section which is likely to arouse most public attention is Sowell's demolition of the case for "reverse discrimination" in favour of Negroes and members of other racial minorities. In the first place, the statistical data used to establish the need for such policies are usually quite fallacious, since they ignore the very different age-distributions in different racial segments of the American population; an unusually high proportion of Negroes are young, so quite naturally Negroes have less than their "fair share" of the high-status jobs which are normally awarded only to middle-aged members of any race. Furthermore, the evidence suggests that "affirmative action" policies have not actually advanced the interests of their ostensible beneficiaries, and this was predictable: even employers who do not discriminate find the government targets impossible to meet, so they lose little by discriminating if that is what they want to do. What gives Sowell's arguments against reverse discrimination unusual moral force is the fact that Sowell is himself a Negro.

A point that recurs as Sowell develops his treatment is the idea that government intervention (or, indeed, any assignment of the right to make a decision to an unduly high level in the social hierarchy) is counter-productive largely because of the limitations of language. When economic decisions are made by those immediately concerned, they use knowledge derived from their personal experience. If that knowledge needs to be transmitted upwards it has to be articulated, and much is lost in the articulation process. In a society which divorces decision-making from personal knowledge, much power must devolve into the hands of those who are specially skilled at the articulation of ideas: namely, intellectuals. Sowell's book ends with an analysis of the recent rise in status of the intellectual and the "expert", which has been both a product of government intervention and a cause of further intervention: the intellectual is naively taken to be a neutral, disinterested adviser on social issues, but in reality his interest must lie in increasing the role of government since this increases the need for articulation and hence for intellectuals.

This part of Sowell's book concentrates almost exclusively on trends within the United States; one of the most interesting things that I, as an Englishman, learned from the book was that (contrary to my assumptions, and to what Sowell seems to believe) in many fields the USA has moved far further than Western Europe away from the principle of limited government.

There are problems in Sowell's analysis of the evils of economic intervention by government. One is that he sometimes makes his argument unconvincing by dealing too glibly with the drawbacks of the free-market alternative. He twice, for instance, alludes to the question of dumping, one of the most difficult issues faced by a defender of untrammelled competitive private enterprise; what guarantees that the best product will win, if the manufacturer of an inferior product can bankrupt his rival by temporarily cutting prices below manufacturing costs? Sowell replies that, in such a case, "the only certainty would be the short-run losses, ... while the longer-run profits needed to recoup these losses are highly problematical ...". But, if Sowell thinks that that suffices to rule out the likelihood of predatory price-cutting, then how can he explain any speculative investment of capital? – the quoted remark applies in every case.

In general, however, Sowell's analysis of recent trends in American economic life, law, and politics is well-documented and highly perceptive, and it will provide much useful ammunition against intellectuals who are busy furthering their careers by dismantling the freedoms of all citizens in the name of compassion for the "underprivileged". This latter half of the work could well have been published separately; it is only fairly loosely linked with the relatively philosophical material in the first half.

That first half, dealing with the crucial role of knowledge in economic life, seemed to me less satisfactory. In the first place, Sowell's general point about knowledge is far from original. It is perhaps the central tenet of the "Austrian School" of economists, who are ignored by Sowell except for a few brief references to Friedrich Hayek – in fact much of the material in Sowell's early

chapters is almost pure Hayek, though Hayek puts it better (a fault running through Sowell's book is that his language is often clumsy and not infrequently contains downright solecisms). Like some other American scholars, Sowell seems oddly unaware of currents of thought outside the U.S.A.

More important is the fact that Sowell consistently overstates his philosophical case. He is right to argue that laymen often commit the "physical fallacy" of supposing that economic life can be fully understood in terms of objective factors such as goods and labour; on the other hand Sowell commits a converse error trying to turn all economic issues into issues about knowledge. He argues, for instance, that minimum wage laws "prevent transmission of knowledge of labour available at costs which would induce its employment", and thus promote unemployment. Well, minimum wage laws may incidentally interfere with knowledge-transmission, but that is not why they keep poorly-qualified individuals out of work; the laws make those people *unavailable* except at higher costs and they are just as unavailable (assuming the law is not broken) whether or not potential employers know that they would accept less than the legal minimum. Sowell fudges this point by distinguishing between knowing "in a purely informational sense" and "*effective* knowledge", but knowledge is not what is at issue here.

Knowledge, in any case, is possible only when there is a "fact of the matter" to be known. One key to understanding the dynamics of economic life is the concept of "discovery": the questions which an economy has to resolve are often questions to which there may not be ultimate "best" answers – a chief justification for economic freedom is that it permits a society progressively to improve its solutions to economic problems. Sowell neglects the importance of experimentation. He argues that a society does well not to standardise a single range of consumer goods because the cost of reaching "consensus" on the desirable specification would be too high. But, even if people could easily be induced to agree, standardisation would still be bad; it prevents entrepreneurs trying out innovations which

may well turn out to be preferred to the models which everyone had previously thought ideal.

Again, Sowell recognises that it is characteristic of interventionist policies arbitrarily to advance the interests of current “incumbents” at the expense of those who might have become incumbents but for intervention – thus employment-protection laws favour current employees, by making it difficult for them to be fired, at the expense of those who cannot find work because the laws make it risky for an employer to take them on. Sowell believes that this bias stems from differential costs of knowledge – it is cheap for the incumbents to identify themselves as a class in order to defend their collective interests politically, but it would be very expensive for the “potential incumbents” to do the same. In reality, though, *no* expense would allow the “potential incumbents” to be identified. The question, “Who would have found a job if the laws had been different?” is like “How would history have changed if the Normans had been defeated at Hastings?” – one can speculate, but there is no objective truth in such cases.

This fallacy of reducing all economic and political problems to problems of knowledge-transmission underlies the greatest weakness in the book, its treatment of democracy. For Sowell, freedom and democracy are scarcely separable notions. This approach is one shared by many Americans; it reads strangely to an inhabitant of England, where the period of greatest freedom was one of very limited franchise, and where the growth of democracy has in recent history gone hand in with the destruction of freedom. There are obvious reasons why democracy is inimical to freedom: in a state with a broad franchise a party must “buy” votes by making a large number of specific promises, which have to be redeemed via diffuse erosions of the property-rights of the whole population (by taxation or otherwise). Sowell argues that the problem here is merely that knowledge of benefits from government is cheaper than knowledge of costs; but, even if knowledge were freely available, the logic of the situation would be unchanged. Provided the benefits to a number of voters from a single

government policy are considerably greater than the costs to anyone of that particular policy, the tendency of democracy must always be to encourage political parties to outbid one another in assembling packages of such policies.

It is perhaps unfortunate that Sowell began his book with a philosophical discussion which is often questionable in its conclusions and sometimes turgid in style, since this may lose many potential readers for the second part of the book. This latter section, with its concrete analysis of mistaken interventionist policies and its critique of concrete political and legal trends, is an excellent piece which deserves to be read and discussed

GEOFFREY SAMPSON

BLAINEY’S WAR

Geoffrey Blainey, *The Causes of War*, Sun Books, Melbourne pb. £2.95.

This book is one of the slumbering masterpieces of our day. That it is not already more widely acclaimed is probably due in about equal measure to its unpretentiousness, its unsentimentality and the fact that its author is Australian. Blainey’s work makes you feel that it must be a waste of time to discuss its subject-matter with anyone who has not read it.

The author has that precious combination: a sure grasp of factual material and a clear vision of essentials. He takes all the popular, and some more recondite, theories of the causes of war, examines their corollaries and tests them against his detailed knowledge of virtually every international war from 1700 to 1971.

Wars do not occur because one or a few nations are overwhelmingly powerful. That is an influence for peace. (Gloomy, in view of the present trend for the emergence of numerous medium-strength powers). A smashingly decisive victory (and therefore no doubt a palpably ‘unjust peace’) makes for a long peace. Nations do not fight because they are poor. On the contrary, a major predisposing influence on the decision to go to war is the politicians’ belief that they can, by jingo, afford it. Prosperity makes for

war. Wars rarely start in the depths of slumps but usually during periods of decided economic recovery. (Reassuring for octogenarians.) Esperanto, peace conferences, tourism and ‘friendly contacts between peoples’ do nothing to make wars less likely, and may make them somewhat more probable.

Wars are not avoided because nations have their hands full with other things, like industrialisation or art, and do not break out because nations are denied outlets for energies which might otherwise have found peaceful gratification. Wars never begin by accident. At least two nations always make a deliberate decision to engage in war. No war is due to a single madman, nor is one side uniquely and monstrously culpable. (This new edition of Blainey’s book includes a chapter showing Australia’s part in causing the 1941-45 war with Japan.)

Before reading Blainey I subscribed in a vague sort of way to a few of the above fallacies, but there was another fallacy which I very definitely embraced, and have advanced on several occasions with all the granite conviction that derives only from steadfast thoughtlessness: I refer to the popular theory of the ‘scapegoat war’, which holds that a country’s rulers will go to war to take the population’s minds off domestic discontents. Unclouded by any shadow of the empirical, this hypothesis may sound appealing. Examination of the historical facts makes it doubtful that this could plausibly be argued as even a contributory cause of any war, and certainly never a decisive cause. Internal unrest or dissension makes states less belligerent. In case you are now relieved that one spook has been exorcised, I am sorry. Internal unrest or dissension makes *other* states *more* belligerent. This phenomenon of states being drawn to attack countries torn by internal strife Blainey likens to the old ‘wars of succession’, where the death of a strong monarch functioned as an invitation to others to make war. (See the film *Kagemusha*). I first read Blainey before the commencement of the Gulf war, which is such an apt illustration that, just as one speaks of ‘Individuals’ having Bright’s Disease, one has to conclude that the Iraqis and Persians have Blainey’s War. (But the

analogy may fall if there are no other varieties of war.)

This pattern also promotes the conjecture that if, as I confidently expect, the Russian Empire will henceforth scarcely pass a day without strikes, food riots, secessionist insurrections and other troubles, the main war danger will arise from over-confidence in the ruling circles of the more powerful West.

Blainey is always ready to take seriously any inchoate notion, give it a solid form and see what it looks like. On the view that countries work up their appetites for a war just because they haven’t had one in a long while, he comments: “beware of Sweden and the Canary Islands!” He continually reminds us that no explanation of war can be satisfactory unless it explains, or helps to explain, peace. This requirement sometimes seems preposterous, but Blainey makes it stick. (Why do people never suggest that wars can end by accident?)

Blainey is indebted to Clausewitz and Macfie, but the most illuminating observation he takes from Simmel that the only way to prevent war is to have assured knowledge of the comparative strengths of the two sides, and the only way to get this knowledge is to fight the war. Blainey’s theory is too detailed to state here, but its key idea is that wars “usually begin when two nations disagree on their relative strength, and wars usually cease when the fighting nations agree on their relative strength.”

Among minor shortcomings is Blainey’s inadequate discussion of the theory that an unwanted arms race can lead to an unwanted war. He does not seem to grasp that there are invisible-hand processes which lead by accumulation of intentional acts to an unintended outcome. To insist that the outbreak of war is always a deliberate act by at least two nations is correct, but ignores the possibility that the situation leading to the war decisions is itself an unwanted one which traps the participants, even though it is the outcome, in part, of their own past actions.

PROTECTIONISM MEANS WAR

Blainey dismisses the liberal theory of war which he derisively dubs the “Manchester theory”, but he treats only the fifth-hand, fifth-rate and vulgarised version of the liberal theory: that the growth of trade and international contacts guarantees peace. It is easy to knock down this Aunt Sally, and Blainey does so with gusto. He misses altogether the genuine liberal theory (which may, in garbled form, have been mistaken at times for the above). That government intervention, especially restriction on the movement of people and possessions across national borders, tends to war. By comparison, free trade favours peace.

There is no presumption that free trade will *guarantee* peace. Free trade removes a major impetus to war, just as clean water removes a major public health hazard, but does not guarantee freedom from epidemics. The liberal theory is not susceptible to Blainey’s facile historical refutation. The First World War was, like the second preceded by a marked growth of protectionism. The wars of the twentieth century were predicted by the liberal theory. If protectionism and other forms of interventionism are rife, then *caeteris paribus* the more international contacts and movements there are, the *more* likely war will be, just as Blainey suggests.

In the nineteenth century, the liberal theory of war was developed by such as James Mill, Cobden, Bastiat, Thorold Rogers and the free market anarchist Molinari. A fair summary of their ideas is contained in Edmund Silbernerts *The Problem of War in Nineteenth Century Economic Thought* (Princeton, 1946), though the author is not entirely sympathetic. In the twentieth century the liberal theory of war has been eloquently restated by Ludwig von Mises and Lionel Robbins.

Though it is true that wars must occur because nation-states differ in their opinions of their comparative strengths, this appraisal becomes relevant only because governments have opposing interests. Nations struggle over markets, supplies and trade routes, among other things. But what does it mean to say that a country “has” markets, sources of

supply or trade routes? In a world of complete free trade, this sort of talk would be meaningless. If citizens of every country were not forcibly prevented, or artificially discouraged by duties, from selling their goods in any part of the world, it would be a matter of indifference, from a commercial point of view, on which side of a national border any asset or market happened to be. This might still be a sentimental concern, but not an occasion for capitalists and labour leaders to lobby governments in order to “extend our markets” or “protect our sources of supply”. In a free trade world it would be totally misleading to speak of countries competing at all. Individuals would compete for the custom of other individuals. Their national citizenship, if any, would be irrelevant. The more governments do intervene, especially across borders, the more the short-term interests of capitalists and their employees are channelled into considerations of “our” national gang versus “theirs”. Perhaps the liberal theory has been misinterpreted because its prediction that restriction on trade will promote war has been read as asserting that this works via the volume of trade. But restrictionism does not promote war because it reduces the volume of trade, though it does that too. It promotes war because it gives sectional interest groups within each country a rational and palpable interest in war, an interest which would be entirely absent under free trade.

Other forms of state intervention also promote war. Migration controls may provide an incentive to seize territory, and by artificially raising wage rates in some countries at the expense of workers in other countries, immigration controls naturally lead to insistent demands for protective measures on account of cheap imports made possible by cheap labour. There are links, as Blainey notes, between domestic inter-group struggles and international conflict. All state intervention foments strife between racial, religious and linguistic groups. For example, state schooling raises questions as to what, if any, religion will be taught in school, what language will be used for instruction, what account of the history of various cultural groups will be presented. Here is a hotbed of inter-community ill-will. But if all guardians can privately choose schooling for their children, there is no compulsion into any

particular cultural mould. Inter-group relations will then be comparatively harmonious.

AIMS ARE CAUSES

Blainey disparages the idea that there are deep-seated causes of war, residing in the aims or interests of the contending sides. His discussion of this issue (146-152) is the least convincing part of his argument. “The explanations that stress aims are theories of rivalry and animosity and not theories of war. They help to explain increasing rivalry between nations but they do not explain why the rivalry led to war.” It is true that nations have often been bitter rivals without resort to war. In searching for the causes of war Blainey throws out any elements common to war and peace. Since these elements were present during peaceful periods which did not lead immediately to war, and present at the end of wars, how can they be causes of war? Blainey thinks the causes of war must be factors which occur during and just before wars, but not at the cessation of wars. This is an unnecessarily narrow focus. Blainey has thought a great deal about “war” but not very much about “cause”. It is as if we were curious about the causation of forest fires, and declared that dryness and high temperature could have nothing to do with it because they were present at the end of the fire just as at the beginning. Or it is like saying that the desire to get material possessions has nothing to contribute to an analysis of the causes of theft, since people want to get material possessions nearly all the time, and often do so honestly.

Blainey does not offer us a theory of the causes of war, but only half a theory or less than half. He gives us a superb demolition of some alleged causes along with a bold and accurate characterisation of war’s precipitating circumstances. If Blainey were to acknowledge the limits of his analysis no harm would be done. He could say: there are profound causes of war, which must lie in the conflicting aims of the contending parties; let us take them as parameters and examine the peculiarities of the situation which causes these conflicting aims to explode into war. This is not his position. Blainey dismisses the *reality* of any important underlying aims.

His arguments here are strangely feeble. He points out that a government’s short-term aims are always adapted to the means for achieving them. This is true, but beside the point. Blainey himself indicates that “every preference for peace or war is attached to a price.” For every kind of advantage that a state might like to accumulate, it has a demand curve, and objective circumstances set a supply curve. That the Irish Republic does not send divisions into the UK in order to annexe a part of it hardly calls into question the fact that the Republic’s rulers have a solid and settled determination to accomplish this annexation if it can be done cheaply enough, and that this influences much of their policy. That governments try only what they think they may be able to get away with does not mean that what they can get away with is the sole determinant of their short-term aims. After all, it is a long time since a state went to war to compel another state to accept a gift of territory, or to demonstrate the superiority of the opposing state’s religion.

Nations do not merely refrain from attempting what they do not believe they can accomplish; they also refrain from attempting what they know they could accomplish, but at too high a price. To say that the price is too high is another way of saying that the value of the *desirabillum* is too low. Hence, there is no escape from subjective aims and interests. At any time in the last sixty years the United States could have speedily conquered, subjugated and absorbed part or all of Canada. In the early nineteenth century, when it wanted to do so, it probably could not. We must presume that more recently it has not wanted to, or has wanted to with insufficient ardour to think the game worth the candle. Blainey’s theory offers no explanation for such a phenomenon, and appears to deny the possibility of an explanation.

There are odd remarks which belie his approach. He states that a particular war would not have broken out if the Suez Canal had not existed. He immediately adds that this does not mean the Suez Canal was a cause of the war. But if *c* precedes *d* and without *c* there would have been no *d*, *c* sounds very much like a cause of *d*. The underlying cause is the fact that it is in a

nation-state's interest to control something like the Suez Canal. Such is the present collectivist confusion that this assertion may be startling. How could it not be in any state's interest to possess such a juicy plum? Even in today's world, possession of the canal is much less of an advantage than most people would immediately suppose. Whether the owners be British or Egyptian, if they want to maximise their revenue, they will charge the same toll and open the Canal to ships of any country. Privately owned, unregulated and untaxed, the Canal would confer benefits on its customers and shareholders, less direct benefits on all of us, but little financial benefit on the state, if any, within whose jurisdiction it lay. There would remain the strategic significance. States go to war for strategic goals; that is, to gain or hold instruments for waging war. In a world where war is never very far away, this is sensible. But anything which reduces the intensity of other rivalries, such as 'trade wars' resulting from interventionism, must reduce the urgency of strategic considerations.

If, after a punch-up between two individuals, we asked: "What caused the fight?", we might be disappointed to be told: "they disagreed about their comparative strengths." We might even miss the point of such an answer. Does this statement mean that the fighters got into an argument about which was the stronger, and the argument became heated? The misunderstanding arises because the reply is inappropriate. It is not a genuine answer to the query. To be sure, it tells us something: that each combatant thought he could win, which rules out the possibility that one party knew he would lose but felt bound by honour to take a beating. But we would expect to be told what the fight was *about*. If it was about "nothing" if the participants were hot-tempered or drunk, and looking for the flimsiest excuse to fight, then that information might serve as an answer to our question.

The conflicting interests and aims of nation-states, the causes of peacetime antagonisms, *are* the causes of war. When someone gets round to a serious examination of this subject, he will benefit from Blainey's brilliant work on its periphery.

DAVID RAMSAY STEELE

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Vol 2 No 1 Book Reviews

Page 7 of 7

MANUFACTURING CRIME

(From Auberon Herbert's libertarian paper, THE FREE LIFE, June 20th, 1890)

THE DIVORCE COURT

When people make bad, stupid and oppressive laws, trying to regulate things which ought not to be under their regulation, the crop of resulting evils never fails to show itself. Amongst odious institutions the Divorce Court is pre-eminent, and the mischief done by it is very grave. Writing some little time ago, the *Pall Mall Gazette* called the Divorce Court "the sanctuary of perjurers." This it was sure to be when the State undertook - as if it were another St. Peter - to bind and to loose. Marriage must rest on the willing consent of those who enter it. There is no other possible solution, and the attempt of the State to tell people on what conditions they must live together, and when they may cast themselves loose from each other, has a very degrading influence upon marriage.

We write this with a strong feeling about the sacredness of marriage, and the belief that to break the marriage tie is a grave and unhappy act for a man or woman; but this is a concern for the man and women themselves, and not for a sanctimonious world, which aims in all these matters at a veneer of outside appearance, just sufficient to keep things respectable.

In all these things the same wrongful interference and the same bad results. Liquor laws are just the same. Try to get rid of any vice by force, and at once you get the ugliest crop of lies and cheating. Sir W. Lawson - good man with eyes shut - does not mean to sow such seed, but he is preparing a rich harvest of some of the meanest of vices throughout the country.