

# Contra Davidson on Counterfeiting, Round Two

**Contra Davidson en torno a la falsificación, segundo asalto**

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**Abstract:** Libertarians and non libertarians alike agree that counterfeiting legitimate money owned by innocent people is illicit. But what about counterfeiting counterfeit money owned by the guiltless? Davidson and I, both libertarians, take the position that this would be a rights violation; that this would violate the rights of innocent owners of currency, who would be victimized by such fraudulent behavior of counterfeiters, even those who limit themselves to counterfeiting counterfeit funds. But what about counterfeiting counterfeit money owned by those who are guilty of crimes? Davidson (2013) opines, in effect, that there are no such people. The counterfeiter of counterfeit money is thus himself a criminal, she avers. I argue, very much to the contrary, that the relevant population consists mostly of guilty people, and thus they are not in a logical position to object to what would otherwise be considered victimization. As for the few innocents among them, they demonstrate their innocence to a large degree by *not* objecting to the counterfeiting of counterfeit money. If they do object, and take actions to prevent this practice, they act in a manner incompatible with the libertarian non aggression principle (NAP) and thus enter the ranks of the guilty. I find Davidson's (2013) economic analysis impeccable; her understanding of libertarianism highly problematic.

In the interests of full disclosure, I should make it clear that the present paper contains the radical suggestion that we should do away with our established monetary —and financial system. If need be, and this is by no means my first choice, we are entitled to do so by means of massive counterfeiting of established currencies (which is justified by deontological considerations and libertarian principles). Of course, this is illegal in extant nations, and I would not want to be imprisoned

for committing a crime. So, for purposes of our discussion, we will be considering only the imaginary country of Krugmanania.

**Key words:** Counterfeiting, fiat currency, robbery, fraud, JEL category: K14; E5.

**Resumen:** Libertarianos y no libertarianos coinciden por igual en que la falsificación de dinero legítimo poseído por personas inocentes es ilícito. Pero ¿qué pasa con la falsificación de dinero falso poseído por los no culpables? Davidson y yo, ambos libertarianos, pensamos que esto sería una violación de los derechos; pues socavaría los derechos de los inocentes propietarios del dinero, que serían víctimas del comportamiento fraudulento de los falsificadores, incluso del de quienes se limitan a la falsificación de fondos falsificados. Pero ¿qué pasa con la falsificación de moneda falsa propiedad de quienes son culpables de crímenes? Davidson (2013) opina, en efecto, que no hay tales personas. Ella afirma que el falsificador de dinero falso es ciertamente un criminal. Yo sostengo, muy por el contrario, que la población relevante está compuesta en su mayoría de gente culpable, y por lo tanto no están en posición lógica de oponerse a lo que de otra manera sería considerado una victimización. Con respecto a los pocos inocentes que haya entre ellos, en gran medida demuestran su inocencia al *no* oponerse a la falsificación de moneda falsa. Si se oponen, y emprenden acciones para prevenir esta práctica, actúan de manera incompatible con el principio de no agresión libertario (NAP) y por lo tanto pasan a engrosar las filas de los culpables. Considero que el análisis económico de Davidson es impecable, pero que su comprensión del libertarismo es altamente problemática.

En aras de la divulgación completa, debo dejar claro que el presente documento contiene la sugerencia radical de que debemos acabar con nuestro actual sistema monetario y financiero. Si es necesario, y esto de ninguna manera es mi primera opción, tenemos derecho a hacerlo por medio de la falsificación masiva de divisas (lo cual se justifica por consideraciones deontológicas y principios libertarios). Por supuesto, esto es ilegal en los países existentes, y no me gustaría ser encarcelado por haber cometido un delito. Por lo tanto, para los propósitos de nuestra discusión, vamos a considerar solo el país imaginario de Krugmanania.

**Palabras clave:** Falsificación, moneda fiduciaria, robo, fraude.

**Recibido:** 10/05/2013. **Aprobado:** 23/09/2013.

## I. Introduction

The United States is a wonderful country. It is exceptional. It is the best nation that now exists, or that ever existed. You do not believe me on this assessment? I have it on good authority.<sup>1</sup> What is “American exceptionalism”? Bimrose (2013) explains:

To advocate for American exceptionalism today means to believe fervently in the superiority of our nation concerning all matters. The unshakeable belief that if America does it, then it must be right. America is beyond reproach and is better than everyone else.

Yes, hear ye, hear ye: the U.S. is magnificent. It can do no wrong. That is one of the basic assumptions of this article.<sup>2</sup>

I am going to defend the notion that it is not a violation of libertarian law to counterfeit fiat currency. Since America is beyond reproach,<sup>3</sup> I cannot be discussing U.S. dollars. Instead, we will be analyzing the Krug, which is the currency of the imaginary country Krugmanania. This latter nation has roughly 800 military bases in about 160 foreign countries.<sup>4</sup> It is the only one to have ever dropped an atom bomb on masses of innocent civilians. Its 'defense' budget is larger than that of the fourteen nations' next largest military expenditures. It drops drones on 'terrorists'<sup>5</sup> the world over.<sup>6</sup> It is altogether a very baaaad country, throwing its weight around militarily, bullying weaker nations all over the world, mixing in to the affairs of other jurisdictions, attempting to be the policeman of the planet. Initially we will be discussing the massive counterfeiting and thus ruination of the monetary system of Krugmanania; we will then relax these malevolent assumptions, and enquire as to the propriety of doing precisely the same thing to a very different nation, to wit, Greenspanania.

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1 Kristol and Kagan, 1996; Krauthammer, 2004; O'Connell, 2002-2003; Rojecki, 2008; Republican Platform, 2012-2013; Tyrrell, 1991, undated; Wilson, 2013. There are a few nattering nabobs of negativism, who doubt the wondrousness of the U.S., who may safely be ignored, since they are obviously wrong: see Lipset, 1996; Greenwald, 2013b, the extremist, goes so far as to say: “That the US is objectively ‘the greatest country ever to exist’ is as irrational as it is destructive, yet it maintains the status of orthodoxy”. But this is crazy talk. Greenwald is obviously barking mad.

2 For an excellent critique of U.S. exceptionalism, see Putin, 2013.

3 We have already established this, based on logic and evidence. See text, *supra*

4 Department of Defense, 2007; Vance, 2010.

5 Pretty much anyone who denies American exceptionalism, see footnote 1, *supra*.

6 For a (qualified) defense of this practice, see Pinker, 2011. For a critique of the latter, see Block, 2013.

This country, in sharp contrast to Krugmanania, strictly follows the libertarian non aggression principle (NAP),<sup>7</sup> except in one arena, monetary policy.

I shall interpret Davidson (2013) as opposing counterfeiting of the fiat currency of either of these nations, both Krugmanania and Greenspanania. I thank Davidson (2013) for her kind comments about Block (1976). However, when she mentions counterfeiting as heroic as (2013, 67) “one case where (my) defense is more than a little controversial” I think she really means only “within libertarian circles”. Surely, many of my other chapters of Block (1976), if not all of them, are highly controversial outside of the libertarian community. I think her summary of my debate with Machaj (2007), Murphy (2006), Block (2010a, 2010b) is very accurate, and I appreciate her fair mindedness in articulating these matters.

I regard Davidson (2013) as a meticulous and thorough examination, from an Austrian point of view, but not a libertarian one, of a highly complex and poorly studied economic phenomenon: counterfeiting. She offers us many important insights from both fields: libertarian theory and the macroeconomics of counterfeiting. Nevertheless, on our main issue of contention, we must continue to disagree. I maintain that extant fiat currency is counterfeit,<sup>8</sup> and therefore it is impossible for a private replicator of these notes to be an illicit counterfeiter, particularly in a vicious depraved, murderous and immoral nation such as Krugmanania. Rather, he must be a legitimate counterfeiter, acting compatibly with the libertarian NAP. Counterfeiting counterfeit money cannot be any more of a crime under the libertarian code of law any more than can be 'stealing' already stolen money.

In my critique of Davidson (2013), I shall follow the organization of her paper: “In sections 2 and 3 below, I outline two fundamental problems with (Davidson’s) analogy when applied to the counterfeiting of counterfeit money. Sections 4 and 5 address the issue of why counterfeiting is a crime and how it affects property titles, both in a commodity-based system and in a purely fiat system. Section 6 explains why fiat notes are not counterfeit, and section 7 takes issue with (Davidson’s) description of fiat money as illegitimate. Sections 8 and 9 reveal the nature of the crimes

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7 Rothbard 1973, 1982

8 I speak of course now and for most of the remainder of the paper of the imaginary country Krugmanania.

committed by the government and the private note producer in a fiat system. (Davidson's) utilitarian arguments in favor of the private counterfeiter are disputed in section 10. Section 11 concludes".

## II. Analogy

Davidson (2013) is perfectly correct when she states:

When we describe an article as 'stolen,' we imply it is associated with only one specific action: theft. Moreover, no other object, besides the stolen article, is implied by that action. Counterfeiting, however, is a crime that involves two actions: (1) the creation of an inferior imitation or likeness or semblance of a good, or false claim to a good, *and* (2) the (actual or intended) theft of another good by representing the imitation article as genuine.

However, I think she has placed far too much weight on 'analogy'. The essence of an analogy is to tell a story that makes the main point clearer than would otherwise be the case. In Block (1976) I said something not only controversial, but, if I say so myself, unexpected, and therefore liable to misinterpretation. I said that it should not be against the law to counterfeit counterfeit money. It is almost as if, to employ some more analogies, I had averred that murder, rape and theft should also be legalized. I resorted to 'stealing from a thief' in order to better explain counterfeiting counterfeit money. I did so to encourage the reader to realize that just because, under fully free market circumstances, theft would properly be proscribed, this does not hold true if what is to be taken from its present owner came to him through robbery. And, the same thing applies to counterfeiting. It is only illicit to counterfeit legitimate money (e.g., gold) but that this does not at all apply to money which is not itself legitimate.

The undoubted fact that theft involves only 'one specific action' while counterfeiting counterfeit money requires not one but two separate acts, while true, is thus a bit beside the point. One might as well have objected to my analogy on the ground that theft contains five letters while counterfeiting has fourteen.

Despite her rejection of my analogy, Davidson (2013, 72) herself certainly buys into the distinction I am making with the use of it when she distinguishes between "a counterfeiter of counterfeit money [...] (and) [...] a plain vanilla counterfeiter of *genuine* money".

### III. Analogy, part II

Here my colleague makes a very important point, and her analysis is flawless. There may well be a market in known-to-be ancient counterfeit coins. If so, to pass one off with no fraud cannot be counterfeiting. In this context, such coins are not really counterfeit. Instead, they are akin to<sup>9</sup> objects d'art. Consider copies of Rembrandts, known to be painted by other artists. Some of them are pretty good in their own right, although certainly not painted by the master. If there is a market in these 'forgeries' or better yet copies of Rembrandt, which are 'real' painting by other artists, and they are sold precisely as such, then, again, no fraud has taken place, as with Davidson's 'counterfeit' coins.

### IV. Why counterfeiting is a crime

I am also in enthusiastic agreement with most of this section, certainly with regard to fractional reserve banking. My one reservation is with regard to “And if all he did was devalue the currency, by randomly giving away his coins or notes without receiving anything in return, this would not be theft (Davidson, 2013, 73)”. Is this author guilty of something akin to a typographical error here? She is too keen a macroeconomist for there to be any other possible explanation for this. It all depends, methinks, upon who the 'he' is here, who is giving away money to all and sundry, “without receiving anything in return”. If he is Scrooge McDuck, one of my favorite literary characters, who has “got religion” and is now disgorging hoards from his money bins, then all is well. But if 'he' is Benny the paper hanger Bernanke, up there in his Friedmanite helicopter, dropping bales of money on the populace, receiving nothing 'in return' except for the pleasure derived from debauching the currency, then, I fear, Davidson is in error for letting him off the hook so lightly. Well, maybe such an activity would not be 'theft' or 'stealing'. I should not go too fast with analogies while Davidson is around. But it would certainly be untoward, a crime under libertarian law.<sup>10</sup>

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9 Dare I say analogous to?

10 What crime? Counterfeiting, of course. But, splutter, splutter, I am supposed to be *defending* counterfeiting. The explanation will be given below. Patience, gentle reader.

## V. Counterfeiting money and property titles

Let us start this section off with yet another agreement. According to Davidson (2013, 75): “It is not a crime to buy or sell the instrument of a previous crime if there is no intent to use it in any future crime”. There is no more of a crime committed here between two consenting adults regarding the ancient debased coin, than there would be regarding the 'Rembrandt' copy, and no fraud takes place.

At last however we arrive at a point of sharp contrast. Davidson (2013, 75) states “When the private counterfeiter enters the scene, the only justification he can have for passing his own coins or notes is to reclaim goods he knows with certainty to be stolen”. I disagree with but two words, here, but they are important ones. First, 'stolen'. While I am in accord with my fellow Austro libertarian that this is sufficient, I do not think it necessary. There are other crimes beside theft that would justify the counterfeiter in punishing the perpetrator. Suppose A is a murderer or a kidnapper or a rapist. Ideally, the punishment for such outrages would be far greater than having the value of his cash balances diluted, courtesy of the counterfeiter. But posit, the situation being what it is, the forces of law and order, whoever they may be, had not the power to impose the full and draconian punishment upon A that he so fully deserves. Would it be justified under these unhappy circumstances to visit upon him the lesser penalty of being victimized by the counterfeiter? It seems difficult to avoid this conclusion. I say Yes, a thousand times yes. Better some relatively small punishment, than none at all.

I claim that Rothbard (1998, 58) who Davidson (2013) quotes in her footnote 5 makes the same error as she does: limiting justified punishment to theft alone, and not broadening it, as I have done. Consider this statement of Rothbard's:

Therefore, we conclude that even though the property was originally stolen, that if the victim or his heirs cannot be found, and if the current possessor was not the actual criminal who stole the property, then title to that property belongs properly, justly, and ethically to its current possessor.

I offer the following correction. That we insert these words in italics to the previous statement right after “who stole the property”: “*or in any other way offended the libertarian NAP to a degree sufficient that it would be justified to punish him, whether by liberating his property, or subjecting him to counterfeiting*” so that the entire Rothbard statement now reads:

Therefore, we conclude that even though the property was originally stolen, that if the victim or his heirs cannot be found, and if the current possessor was not the actual criminal who stole the property *or in any other way offended the libertarian NAP to a degree sufficient that it would be justified to punish him, whether by liberating his property, or subjecting him to counterfeiting*, then title to that property belongs properly, justly, and ethically to its current possessor.

Now consider the case where B aided and abetted A. B was the getaway driver for A, or his lookout, or gun procurer. Would the counterfeiter be justified in addressing his attentions on B, also, assuming that B, too, was beyond the reach of the law in any other way? Yes, indeedly do, is my view. What is Davidson's perspective on this crucial issue? It is difficult to say. If she agrees with me on this one vital point, her criticism of the counterfeiter falls to the ground, as I will demonstrate below. If not, our analyses of counterfeiting will continue to diverge. But, as it turns out, our differences will not so much focus on counterfeiting but rather on who is guilty of what, and how should they be punished, in libertarian theory.

The second word is 'certainly'. Just how certain do we have to be before we can punish anyone, whether by inflicting a counterfeiter on them, or in some other way. Shall we use the reasonable man criterion? Preponderance of the evidence? Rothbard (1998, chapter 13), I maintain, hits the nail on the head when he defines it operationally: we must be so sure that if we are mistaken, we are willing to pay the penalty properly imposed on members of the (hopefully private) police force (Tinsley, 1999-2000), or executioners or jailors for initiating violence against an innocent person accused of a crime.

Consider this statement of Davidson's (2013, 75):

[...] if, on the other hand, he exchanges his false money with the general population without knowing the circumstances in which any potential seller originally procured the property being traded, this inevitably puts him in a position where he *might* steal from a legitimate owner.

I suggest there is a gigantic gap between 'without knowing' *anything* about a given member of the 'general population' and being 'certain' that a given person is guilty of a crime, of either the 'A' or 'B' sort.

Let us now consider the sins of the 'general population' of Krugmanania. They have consistently voted for either the Demopublican or the Republicocrat parties. While to be sure there are some superficial differences between them, for both "politics stops at the water's edge" at



least in terms of overall (imperialistic) foreign policy. Both parties have supported a system where Krugmanian forces are ensconced in about 1,000 military bases in some 160 foreign nations. Each party sees this, mirabile dictu, as defense, not offense, but would *strenuously* object if any other nation emulated it in this regard.<sup>11</sup> The most recent dictator of Krugmania employs drones to kill innocents from the skies in several foreign countries.<sup>12</sup> When Don Saul mentioned the desirability of employing the Golden Rule in South Carolina<sup>13</sup> he was roundly booed at hissed at, by the very members of the 'general population' Davidson is so intent upon protecting from the wiles and supposedly fraudulent behavior of the counterfeiter. Krugmania is the only nation to have dropped a nuclear device on civilians.

In the words of Vance, 2013:

This statement 'Land of the Free Because of the Brave?' is what I just saw on a bumper sticker today, minus the question mark, of course. The identity of 'the brave' was not stated, but we know without a doubt what the saying is referring to: the U.S. military. So, are we 'free' because soldiers are 'brave'? Are bank robbers brave? Are mass murderers brave? We don't refer to their actions, however daring and bold, as brave or heroic because they are engaged in evil acts. But is not fighting in an unjust, immoral, unconstitutional, and unnecessary war in Afghanistan, Iraq, or anywhere else an evil act?

States Pittman, 2013:

A little after 10:00 p.m., and a serial killer is getting ready to make his move. He has watched and waited for this moment for some time.

He watches his victim get out of a cab and dig in his pockets for money. Two of his children run out to the porch to greet their daddy. The killer presses a button and watches as the victim, the taxi driver and the two children are vaporized. Other people in the house, the man's wife, parents and three other children are badly injured and burnt by the high explosive.

The house next door partially collapses, killing an elderly woman and injuring her grandson. But this is just the beginning.

Neighbors and emergency personnel arrive and begin trying to help the victims. There is chaos [...] children screaming, people wailing and the cries of the burnt

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11 Witness the Krugmanian reaction when Rooshia parked a few soldiers and missiles in Cooba. Nowadays, anyone else following the Krugmanian example would be labeled a 'terrorist'.

12 These are the same people in charge of the Post Office and the Motor Vehicle Bureau. Should we expect accuracy from them in *any* endeavor they engage in?

13 A thousand pardons. I meant Sooth Coorolina, a province of, you guessed it, Krugmania.

and injured. Several people are trapped under rubble.

When enough people have gathered, the killer presses the button again. Fifteen seconds later, all those at the scene are vaporized or blown to shreds. The killer high-fives his partner. In two hours he will be off work! They are planning on driving in to Las Vegas, have some cocktails maybe pick up some girls.

On the other side of the world, at the crime scene, the misery, grief and suffering is just beginning. The gathering and grouping of body parts, the burials, the amputations and lifetime medical traumas, the traumatized children, the destroyed lives. But tonight in Vegas, it is party party party for this 22-year old serial killer from Creech Air Force Base in Nevada, some 7550 miles away from the carnage. The biggest threat he will face tonight is a hangover tomorrow.

He is a drone 'pilot.' He and his kind have redefined the words 'coward,' 'terrorist' and 'sociopath.' He is the new face of American warfare. He is a government trained and equipped serial killer. But unlike Ted Bundy or John Gacy, he does not have to worry about getting caught. It is his job.<sup>14</sup>

Opines DiLorenzo (2013a):

Limbaugh was even more misleading when he screeched and whined over and over that Scheuer supposedly said that 'It's the United States' fault!' 'It's America's fault!' No, Rush, it's not 'America's' fault. It is the fault of the several dozen or so political connivers, liars, manipulators and empire builders who call themselves 'statesmen'. The average American never has anything whatsoever to do with the 'diplomacy' that gets us into never-ending, perpetual wars for perpetual peace. As Randolph Bourne wrote in his famous essay, 'War is the Health of the State,' [A]ll foreign policy, the diplomatic negotiations which produce or forestall war, are [...] the private property of the Executive part of the Government, and are equally exposed to no check whatever from popular bodies, or the people voting as a mass themselves.

Says Shaffer (2013):

Nor can we overlook the mass killing of children carried out in the name of 'national defense'. Madeleine Albright's acceptance of the deaths of 500,000 Iraqi children in furtherance of her government's boycott, along with Janet Reno's more modest gassing, machine-gunning, and burning to death of twenty-one children at Waco, represent moral low-points in the federal government's disregard for those persons least capable of protecting themselves.

In the view of Greenwald (2013a):

Drone strikes are causing more and more Yemenis to hate America and join

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14 Translation: Have you voted for Ron Paul (a proxy for these views)? Only a small minority of Americans did so.

radical militants; they are not driven by ideology but rather by a sense of revenge and despair [...]. Anti-Americanism is far less prevalent in Yemen than in Pakistan. But rather than winning the hearts and minds of Yemeni civilians, America is alienating them by killing their relatives and friends [...].

Buchanan (2013) made a passionate and eloquent plea for peace and neutrality with regard to Syria.<sup>15</sup> He concluded:

Before we slide into another war, let the country (the U.S. electorate) be consulted first. The problem with this ploy is that both Romney and Obama supported U.S. imperialism pretty much anywhere in the world where America has an 'interest' and this exempts *nowhere*. Between the two of them, they attracted almost 100% of the votes. This indicates that the U.S. electorate *would* support this or any other additional war if they were whipped up to a sufficient frenzy. Those hoodlums who chant 'USA, USA' never met an imperialist venture they did not like.

These are the innocent people who deserve to be protected from counterfeiters? Davidson (2013) says yes. How she squares this with her undoubted and strong adherence to libertarianism is simply beyond me.

The average German during the Nazi period can perhaps be forgiven, at least more so than the average member of Krugmanania. The former participated in a democratic process that resulted in the mass murderer Hitler *only* once. In sharp contrast, the electorate of Krugmanania anointed a series of mass murderers, one of whom dropped an atom bomb on innocent civilians, all of whom placed imperialist armies on foreign soil, and the latest of them who exults in dropping drones on populaces who have not initiated aggression against the home territory of that imaginary country. The Germans lived in an era before the widespread implementation of electronic media (television, the web, etc.) that would enable the populace to know precisely what their lords and masters were doing in their name. The same cannot be said for the inhabitants of Krugmanania.

What has all of this to do with counterfeiting counterfeit money? The 'general population' has supported all of this. Enthusiastically. The two major parties between them garner some 99% of the vote. The 'general population' is a good candidate for the 'B' role: aiding and abetting. The libertarians, the only ones who oppose these vicious and nefarious schemes of the Krugmanians, constitute some 1% of the electorate. True, only about 50% of eligible voters pull the ballot lever. But there is

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<sup>15</sup> See also DiLorenzo, 2013b and Scheuer, 2013 in the same vein.

strong evidence that they too are complicit in the evil perpetuated by the Krugmanian imperialism and murder: they spontaneously applaud soldiers at airports; they tie yellow ribbons around trees; they stand for, and sing, the star spangled banana; they salute the Krugmanian flag; they Pledge Allegiance to it; they worship 'our troops'; they purchase Krugmanian bonds.

Assume that the ruling class<sup>16</sup> of Krugmania, comprising 1% of the populace, is all powerful. They have bribed, suborned, cajoled, threatened, the media, academia, the clergy, all opinion leaders, who now support them. But those who oppose them, the libertarians in Krugmania, have a very good Xerox machine that can create high quality counterfeit money. This is their only weapon. Davidson (2013) is saying they should not use it, because it might negatively impact some 'innocent' users of fiat currency in this far away nation.

She and I have a very different view of the legal status, under libertarian law, of those who use Krugmanian fiat currency, namely, all of the Krugmanians.<sup>17</sup> In her view, those who do so are entirely innocent. Touch a hair of their innocent little heads, as does the counterfeiter of counterfeit money, and you are a rights violator. My claim, in very sharp contrast, is that this author does not really appreciate the evil and depravity of the Krugmanian government and the roughly 99% of its citizenry who support it. If she saw more deeply, if she had on not only her Austrian eyeglasses, but her libertarian ones too, she would, I think, acquiesce in the notion that the proverbial 99% of the Krugmanians are not quite as innocent as she believes; that they are estopped (Kinsella, 1992, 1996) from objecting to what would otherwise properly be considered the depredations of those engaged in counterfeiting counterfeit money. Yes, it cannot be denied that these people will be dis-accommodated by the counterfeiter of counterfeit money. Of course, as Davidson (2013) so keenly sees, the latter are engaged in fraud against the former. But they richly deserve to be so treated! These masses of people are voluntarily, enthusiastically, cooperating with the ruling class of Krugmania in their mass murder all around the globe.

Suppose a revolutionary seizes a Krugmanian Post Office, school,

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16 See Domhoff, 1967, 1971, 1998; Hoppe, 1990; Hughes, 1977; Kolko, 1963; Mises, 1978; Oppenheimer, 1975; Raico, 1977; Rockwell, 2001.

17 The only exception would be those who limit themselves to barter, and/or are self-sufficient and use no money either.

museum or census bureau. Those supposedly innocent citizens of Krugmanania who depend upon these institutions will be harmed. But will their rights be violated? Davidson (2013) in effect says Yes. I say No.

Consider the following case. An opponent of the Nazi<sup>18</sup> regime breaks into one of their garages. He is about to set fire to the entire place which houses cars, tanks, trucks, motorcycles, etc. Assume that is the only way this opponent of the Aryan Regime can oppose it. An 'innocent' citizen objects to these proceedings on the ground that he depends upon some of those vehicles for snow removal. If they are burned, he will be financially dis-accommodated. How should the libertarian react to this objection? Posit, now, that counterfeiting is the only way an opponent of the Krugmananian Regime can oppose it. Davidson, I expect, would deny that there is a proper analogy between Krugmananian currency and Nazi vehicles. However, if she accepts it, and remains true to her counterfeiting analysis, she would have to consider both the counterfeiter of Krugmananian counterfeit money, and the destroyer of Nazi trucks and tanks, guilty of rights violations. I regard this as a *reductio ad absurdum* of her position.

Am I saying that all of the citizens of Krugmanania are guilty (Reich, 2009) for the depredations of their government? No. Of course not. A thousand times no. At least 1% of us are entirely innocent.<sup>19</sup> Let us suppose there were a libertarian Nuremberg trial and ask who would be in a worse position in the docks: the average citizen of Nazi Germany<sup>20</sup> or of Krugmanania? It is clear that the latter would be in a far worse position. For the former only participated in an electoral system that eventuated in mass murderer Hitler *once*. After that, this monster seized control. In contrast, the Krugmananian electorate voted for a series of mass murders;

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18 It is hard to get up a full head of steam against Krugmanania. Too many people support it. It is far easier with the Nazis. Thank goodness for them in this one regard. It is difficult to think of any other bogeyman who justifiably arouses so much ire.

19 This is but one reason I am entirely surprised at the rejection of my thesis by the likes of Davidson (2010, 2013), Murphy (2006) and Machaj (2007). They are all staunch libertarians, and radical ones too. One would think that if anyone would support this analysis it would be them. I have had much the same experience with my work on abortion and voluntary slavery. The libertarian community has vociferously rejected my claims in these areas too. Ah, well. Libertarians march to the tune of different drummers, and organizing them on virtually anything is like herding cats.

20 Goldhagen (1997) holds virtually all Germans guilty of these unspeakable crimes.

they had a choice each time, and they chose badly time and again.<sup>21</sup>

There is at least poetic justice involved in attacking Krugmanian fiat currency, as opposed to its trucks. For the former allows the Krugmanian government to wage imperialistic wars more generally than the latter. There are only three ways the state can raise funds to pursue its evil ends: taxes, borrowing and inflation. The disadvantage, from its point of view, with the first two is that everyone knows full well who is responsible for them. Even persons of the meanest intelligence do not think that capitalists (directly) collect taxes, or sell U.S. bonds.<sup>22</sup> Thus, the ruling class of Krugmania is particularly vulnerable with regard to its fiat currency. Anything that attacks it at this weak point is particularly powerful. Counterfeiting does precisely this.

Davidson (2013, 76) makes what might be construed as a fatal concession to my perspective on this matter. She avers: “[...] the origin of fiat money, from a historical point of view, was the counterfeiting of claims to precious metals”. If fiat money is a counterfeit of gold, silver, etc., then counterfeiting fiat money is truly a counterfeiting of counterfeit money, my own position. Davidson follows this up, however, with a qualifier (*ibid.*): “this is not the case under present day legal tender laws”. But it is difficult to see why this latter claim is even of relevance. C steals something from D at time t1. At time t2, C no longer steals anything else from D. C’s behavior at t2 is obviously preferable to his at t1. But, still, D, or anyone else, is justified in calling C to task for his t1 misdeed even later at t3. There are no statutes of limitation on justice, at least not in libertarian law. There will be less reparations due D from C given that the latter’s behavior improved over time. But this is not to deny that D is justified in forcing C to make amends for the dastardly deed he perpetrated at t1. In like manner, the government of Krugmania engaged in counterfeiting at t1. It no longer did so at t2 (gold has long since been outlawed as a money). This should not excuse the statistics of that country. Yes, “under present day legal tender laws” no more counterfeiting is taking place. But that does not render them innocent as

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21 I do not, of course, equate the numbers of victims of the two regimes. The Nazis were far, far worse. Far worse. My only point here is that the masses of Krugmanians are more guilty for the far fewer murders of the innocents than were the Germans for far more of such unjustified killings.

22 The crony capitalists of course indirectly benefit, but that is another matter. Am I overestimating the intelligence of boobus Americanus, I mean, Krugmanus? Probably.

our authoress seems to imply.

I think I understand Davidson's (2013, 76) phrase 'genuine fiat money'. It is fiat currency put out by the genuine or proper or legitimate people, the statist. In contrast, non genuine fiat money comes to us courtesy of those counterfeiters who are attacking the Krugmanian Empire.<sup>23</sup> This is awkward verbiage, to say the least, to be employed by an eminent libertarian theoretician such as Davidson. It implies that statism is justified, surely a difficult position for a libertarian to defend.

Let us end our discussion of this section of Davidson's (2013, 76, emphasis added) paper by considering these words of hers:

Under no circumstances can the use of fiat money, by itself, by those unconnected with the government/central bank, or the commercial banks, involve theft. Indeed, not only is there no fraud by these people, but all property titles resulting from their use of the fiat notes are valid. Unless Block's counterfeiter specifically targets the property of the financial institutions, or their *backers and enablers*, his activities are sure to be unjustified.

My dispute with this economist concerns not so much counterfeiting, itself, as it does with just what percentage of the population is a 'backer' or 'enabler'. Reading in between the lines of her work on this matter, I surmise she has something in mind of the order of 1-5%, to pick two numbers out of a hat. In very sharp contrast, apart from libertarians, children, the insane, and those few who are totally and completely apolitical, I see some 98% of the inhabitants of Krugmanania precisely in this way. I am sorely tempted to say that anyone who opposes counterfeiting counterfeit money is a 'backer' or 'enabler'. And that Davidson, Machaj and Murphy all too well fit this bill. But I know each of them and their views all too well to say any such thing. Yet I am highly puzzled to find them, ostensibly, objectively, among the 'backers and enablers' of statist chicanery.

## **VI. Why fiat notes are not counterfeit**

Davidson (2013, 76-77) draws a very sharp distinction between fiduciary (fractional reserve) media of exchange and fiat currency. As a technical matter, she is entirely correct. But I prefer to emphasize the similarities between the two. The similarities, not the differences, are

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23 DNA, 2011; Shashikumar, 2012; Sharma, 2013 mention Pakistani attacks on India. (I owe these cites to Madhusudan Raj). See also Crais, 2003, for a fictional account of one nation state attacking another by counterfeiting its currency.

highly relevant to how the Krugmanian government engaged in its unjustified rule. *Both* of these are ways in which the state seizes power, pelf and wealth. *Both* of these institutions allow the imperialist nation of Krugmania to throw its weight around the world. *Both* fiduciary and fiat money amount to theft from its rightful owners.

I cannot allow one empirical claim of Davidson's to go unchallenged. She states (2013, 77):

Fiat notes, however, are not counterfeit, and their use does not result in fraud, because no one has any illusions regarding their possible redemption. Clearly, if the general population is made aware that the currency is no longer redeemable for gold or silver, that currency does not masquerade as anything at all, and assuming this knowledge is universal, there can be no deception by anyone who simply uses the currency.

The problem with Davidson, here, is that she has not taught freshman economics classes at universities. Had she done so, I cannot imagine her making any such claim. She also ought to watch comedian Jay Leno's interview with 'the man in the street'. Boobus lives. He prospers. Boobus thrives. He is *everywhere*.

Of course it is unlikely in the extreme that fiat currency will ever be redeemed for the gold that the Krugmanian ruling class stole from its owners. But it should be.

## **VII. Illegitimate money**

I concur with Davidson (2013, 78) that “[...] illegitimacy does not attach directly to things, but rather to actions of human beings [...]”. I thank her for citing my own work (Block and Block, 2000) on the possible exception of the atom bomb.

However, I think this author is on thin ice when she says:

But what of ordinary members of the public; i.e. those who are neither employed by the state nor recipients of state largesse? Block would have us believe that because they traffic in the government's notes, and because these bills are 'illegitimate,' these ordinary citizens are somehow complicit in the state's crime, and therefore if they suffer at the hands of his private fiat-note-producing 'hero,' they are only receiving their just deserts. But what *actions* of the public involving the fiat money are illegitimate?

But we have seen some of their actions that are 'illegitimate' in section V, *supra*. To reiterate, these 'actions' are the support for the mass murders undertaken by the evil Krugmanian government. Why is



Davidson so blind to these 'actions' and/or so ready to let them off the hook for them?

Perhaps this lacunae is due to her unduly narrow focus. She (2013, 78) states: "But what actions of the public *involving the fiat money* are illegitimate?"<sup>24</sup> Why oh why must our scrutiny of the actions of the average member of society be limited to how he involves himself with fiat currency? Davidson does not reveal any defense of this artificial boundary. Suppose all inhabitants of Krugmanania were murderers and rapists, 'A' types, or, aiders and abettors of these heinous crimes, 'B' types, 'backers and enablers'. Why may they not be attacked in their fiat dollar filled pocket books, given that more severe punishment is presently beyond the capabilities of the few libertarian inhabitants of Krugmanania, the heroic counterfeiters? Davidson never enlightens us.

My presumption is 'guilty until proven innocent', given the massive support for 'our troops' abroad, killing people who never threatened us Krugmananians. Naturally, this presumption can be overcome. Evidence would include membership in the Krugmananian Libertarian Party,<sup>25</sup> those who donate to libertarian think tanks espousing laissez faire capitalism such as the Mises Institute, supporters of the Don Saul initiatives, the Free State Project, etc. Anyone who ever wrote for antiwar.com, or lewrockwell.com would certainly get a 'get out of jail free' card. Then there is the entire left wing anti war movement, who can be counted upon, at least, to oppose Republican mass murder abroad.<sup>26</sup>

But Davidson (2013, 79) is having none of this. She defends her position in this way:

Can it be argued that the public, by their use of fiat money, are nevertheless accessories, because their demand encourages the state to produce more, thereby ensuring that its illicit use continues? Certainly not. It is true that if ordinary citizens stop demanding fiat money, and resort to alternative media of exchange in violation of the state's laws, or to barter, then its production and use inevitably grinds to a halt. But there is no positive obligation under the

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24 Davidson italicizes the word 'actions' in this quote. I place emphasis, instead, on 'involving the fiat money'.

25 The American Libertarian Party issued a magnificent statement on the brutal murders at the Boston Marathon.

26 They are curiously silent when their Democratic standard bearers are guilty of much the same actions. But hypocrisy is not a crime under the libertarian legal code. At least the antiwar left is anti war some half the time. That is far better than the right. The conservatives are not guilty of hypocrisy but something far worse: continued support for imperialism; egging on the Democrats to perpetrate even more war crimes.

natural law for the public to stop the *government's* crime, and, as a consequence, to endure either the wrath of the state, or the unpalatable prospect of barter. If the *public's* use of it is not criminal, *per se*, because they have not initiated any kind of aggression themselves, they can in no way be considered accessories to the state's crime.

No one in this debate, certainly not me, has ever called upon any citizen to *stop* government depredations. That is a risky dangerous undertaking. It is way over the call of duty. To impose this on people would be to enforce a positive obligation on them, something directly incompatible with libertarianism. The leaders of Krugmanania are very vicious. To attempt to overthrow them is against the law, which is why I discuss the fictional country I have made up, rather than any one I might ever live in or visit. Instead, an entirely different matter, I call upon everyone to stop 'backing' and 'enabling' the statist by among other things applauding soldiers at airports, voting for politicians in thrall to the neo conservatives (e.g., the two major political parties, except when Don Saul is an option), etc. I do not at all implore people not to use roads, libraries, fiat currency, post offices, museums. There is all the world of difference between the criminal gang's getaway driver, and the person who sold them shoes and breakfast. The former are guilty of 'backing' and 'enabling' the latter are entirely innocent, even though both are necessary causal preconditions for the robbery to take place. Similarly, those who support evil are guilty, while those who merely take advantage of what the state offers are guiltless.<sup>27</sup> I only ask that boobus refrain from actively supporting Krugmanian depredations,<sup>28</sup> certainly not from using roads, currency, public schools, etc.<sup>29</sup>

Davidson gives the game away when she concedes:

It should be pointed that by 'ordinary user' I mean all those not directly connected with the state and its operations. Government employees and contractors, welfare recipients, and other direct beneficiaries, do indeed conspire with the state to receive taxpayer or newly-issued money. They *are*

27 See on this Block, 1972, 2002, 2004, 2006, 2007, 2008, 2009a, 2009b, 2011a, 2011b, Block and Arakaky, 2008, Block and Barnett, 2008, D'Amico and Block, 2007

28 Wolf opines: "Americans are far more aware than they were 12 years ago of their own slaughter of innocents around the world. Their self-image is no longer that of the 'good guys,' against whom an act of violence is mad and inexplicable". I think this is far too optimistic. If so, how then did that winner of the Nobel 'Peace Prize', of all things, get elected president?

29 And, also, not to object when the libertarian attempts to burn the Nazi garage, nor to debauch Aryan currency.

accessories, and their acquisition *is* illicit.

But what about people who actively support the state? Barbra Streisand, Sheldon Adelson, the Hollywood glitterati may not belong in the categories adumbrated by Davidson, but they assuredly 'enable' the state to do its dirty business. They do so to a far greater degree than a mere welfare 'queen', or an employee of the government such as a sanitation worker or postal clerk. What about the executives of companies such as: Alliant Techsystems, Archer Daniels Midland, BAE Systems, Blackhawk Industries, Blackwater, Boeing, Chrysler, Colt, General Dynamics, General Motors, Goldman Sachs, Halliburton, KDH Defense Systems, Lenco, Lockheed Martin, Martin-Marietta, Monsanto, Northrup Grumman, Oshkosh Defense, Raytheon; are they all innocent? What about for all love the millions of people who between them voted for tweedle dee Obama and tweedle dee Romney? Why are they to be declared innocent? These folks are not to be considered 'accessories'? Davidson, it would appear, thinks just that. I strongly demur.

Davidson (2013, 79) sees

a world of difference between entering into a contractual relationship with the state, by voluntarily lending money to it, when there are many other avenues open for investment, and using fiat money for interpersonal transactions, not involving the state, when that is the only medium of exchange the government will allow.

So do I. So do I. In spades. To repeat, I am *not* condemning the masses for using fiat currency.<sup>30</sup> I do so because they support vicious warmongers. Davidson and I are in accord with regard to our denunciation of bond holders because they are aiding and abetting evil. Why does she not see that this applies, too, to all those who *vote* for this self same philosophy, and that this applies to virtually all inhabitants of Krugmanania?

### **VIII. The nature of government's crime in a fiat system**

That is a very interesting title of this section of Davidson's paper: "The nature of government's crime in a fiat system". Her economic hat is firmly placed upon her head when she writes this, but, alas, her libertarian hat is nowhere to be found in this section. Had she but employed it, Davidson would have dug deeper and noted that the nature

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30 I join Davidson in condemning those who lend money to imperialist murderers.

of the Krugmanian government's crime with regard to fiat currency is not at all exhausted by her correct note of things like "reducing money's objective exchange value", the fact that some "gain wealth at the expense of" others (commonly considered theft), etc. She would have probed deeper, far deeper and asked what did the government *do* with a goodly portion of these additional funds? And then she would have noted that it bullies people who are not the slightest threat to the territorial integrity of Krugmania, killing innocents by the hundreds of thousands. Now *that* is a much more serious crime, made possible to a significant degree by our present fiat system.

### **IX. The Nature of the Private Money Printer's Crime in a Fiat System**

Davidson (2003, 81) opines: "Within this milieu, a private money printer cannot have any moral justification for his activities". But what of the attempt of the libertarian counterfeiter of counterfeit money to rid the entire country of this despicable system? Why is this not licit?<sup>31</sup> Davidson, herself, admits that fiat currency is incompatible with libertarian law. It would seem to follow, logically, that an attempt to end it would be *prima facie* justified. Of course, if innocents were hurt in the process this would detract from that conclusion, but we have made I think a strong case that the overwhelming majority of denizens of Krugmania do not fit that particular bill.

Consider our author's description of the heroic libertarian counterfeiter whose product cannot be distinguished from that of the government (footnote omitted<sup>32</sup>):

He enriches himself at the expense of innocents by creating fiat money (that costs relatively little to produce), the continued existence of which relies on the government's use of coercion. In this sense, he is guilty of robbery as well. Admittedly, he does not use force himself, but he certainly takes advantage of it by stealing goods while force is being used by others. It is as though a shop owner is being held at gunpoint by a gang of robbers, and, while his store is being systematically emptied, Block's small-time independent operator

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31 I won't follow this author in her inquiry as to whether or not the libertarian counterfeiter's actions are 'moral'. Libertarianism, at least as I understand it, does not concern itself with morality. It asks only one question 'what is just law'? and gives only one answer: "whatever is compatible with the non aggression axiom and licit, homesteading-based, private property rights". That is, libertarianism is a theory of just law, not morality.

32 This footnote 14 of hers is magnificent. It is perhaps the best short critique of fractional reserve banking I have ever read. I highly recommend it to all.

surreptitiously nabs a few of the store owner's wares for himself. Is not this underhanded villain a part of the robbery too, even though he did not orchestrate it? At the very least, he is an opportunistic thief.

I strongly resist Davidson's characterization of the heroic libertarian counterfeiter as some sort of petty thief, a jackal as it were. Surely, he deserves better than that from the likes of Davidson. Let us not forget that the counterfeiter of counterfeit money is acting in a manner incompatible with fiat currency; he is acting in effect to overturn this evil system. If he does so purposefully, as a libertarian, this can hardly be dismissed as 'small-time'. No, he is a hero, and big time.

Davidson does seemingly confront this claim of mine. She states (2013, 82-83):

It might be argued, therefore, that any person who produces his own version of the fiat notes, and exchanges them with the general population, is ethically justified in his actions on the basis of helping to eradicate the latter kind of monopoly. But this argument is invalid [...]

And again (2013, 83)

Contrary to Block's assertions, the private fiat money producer does not engage in a noble quest to destroy the government's money and prevent further larceny, and he does not seize stolen goods; rather, he takes advantage of the coercive environment created through the government's prohibition of competing currencies, and competes with the government to produce notes that are used to steal goods from innocent people.

But she really fails to directly confront it. She nowhere reveals why she rejects my scenario of the Ragnar Danneskjold type counterfeiter of counterfeit money, riding to the rescue, saving us from this terrible fiat currency system. Davidson contents herself, merely, with noting that the masses of people will be hurt by these activities. And so they will, at least in the short run. And they deserve to be maltreated for their support of statism.

## **X. Further considerations**

I had intended to employ the phrase 'genuine fiat money' (Davidson, 2013, 84) as a *reductio ad absurdum* against her, but she beat me to it. However, it does not seem to have occurred to her that this is problematic for her thesis: that the counterfeiter of counterfeit money is unjustified in pursuing this path in an attempt to undermine 'genuine fiat money',

created by the state apparatus. 'Genuine fiat money' is a logical howler, at least for the libertarian.

Again she (2013, 84) attempts to employ the fallacy that there are masses of people “not associated in any way with the government or the banks” who will be the innocent victims of the counterfeiter of counterfeit money. I would dearly like to see her evidence for this truly outrageous claim.<sup>33</sup>

Again with the “severe hardship for millions of people” (2013, 85). First of all, these 'millions' of people richly deserve 'severe hardship' as punishment for their evil support of mass murder. Secondly, if “severe hardship for millions of people” were the proper criterion for all libertarians to avoid like the plague, then virtually no otherwise justified revolution could be supported. There could be no such thing as a just (defensive) war. Rothbard supported the revolutionary war of the U.S. against Great Britain in 1776, and the (southern side of the) war of 1861 to prevent secession. Both of these conflagrations entailed “severe hardship for millions of people”. It would appear that Davidson is a pacifist, certainly not a position logically implied by libertarianism.

Davidson's attempted *reductio ad absurdum* is a very powerful one. She (2013, 85) states:

Suppose a crew of slaves is toiling on Scipio's galley. And one day, a particularly impetuous slave throws down his oar and exclaims 'Hot diggity, I have an idea! Let us set fire to this ship and burn it to a cinder so we can gain our freedom.' If he executes his plan and the ship sinks but many slaves drown, can we call his action objectively moral if the others have not agreed to it, or not even been consulted? Certainly not. Setting fire to the ship in order to be rid of the oppressor is not a justifiable action when there are other innocent people aboard, who have no means of escape. Within the confines of the ship, the use of fire is an indiscriminate weapon, and not a legitimate means of self defense.

Is this a good analogy? Well, it is not totally wrong-headed. There are parallels, even strong ones. But I cannot believe this is a definitive refutation of my thesis. First of all, setting fire to a wooden ship is a lot

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33 I perceive what might only be a typographical error in Davidson's entirely justified back-of-the-hand to fractional reserve banking for demand deposits. She states (2013, 85, emphasis added): “it is a logical impossibility for them to be able to *promise* to all account holders that their money is in fact redeemable on demand in all situations”. They 'promise' this all the time, so that in and of itself could not be a logical impossibility. I think what she meant to say is that they could not possibly *deliver* on this promise in the face of a bank run, with no FDIC-type backing.

more destructive than a bit of counterfeiting of counterfeit money. Secondly, suppose there were 1000 slaves on the ship, and only four were innocent (the others, we may assume, were rightfully condemned to slavery —imprisonment, for heinous crimes). The impetuous slave, of course, is our counterfeiter of counterfeit money. The other three, let us say, are Murphy, Machaj and Davidson. The four of them have been unjustly found guilty of crimes; that is why they are there on the boat. Let us posit, further, that all four are good swimmers. Excellent swimmers. To return to our analogy, they are sophisticated in matters monetary, and well able to take care of themselves in the hyperinflation that would result from counterfeiting counterfeit money, which would end the fiat currency system. The Blockian hero tries to convince the other three of the error of their ways. He fails. They remain obdurate in their rejection of libertarian theory. Davidson concludes from this little tableau that the 'particularly impetuous slave' must refrain from abusing the boat in a less harmful manner than setting fire to it. We will have to agree to disagree on this one.<sup>34</sup>

Davidson (2013, 85-86) avers:

In a similar manner the mass counterfeiters' counteroffensive against the government is indiscriminate, taking no account of innocents, who, unaware of the plan and deprived of any alternative medium of exchange, are severely hurt by the economic chaos. Members of the rebellious group have no right to risk the lives or property of those who are not their oppressors, particularly when there might be other legitimate avenues open to them by which the fiat system could be eradicated. Engineering an economic calamity where everyone is a potential target is unjust.

There are difficulties here. First, the masses of Krugmanianians *are* 'oppressors'. Just ask the people in Iraq, Afghanistan, Pakistan, Waco.<sup>35</sup> Second, 'severely hurt', but not droned, atom bombed, murdered. Third, *what* other 'legitimate avenues'? It is more than passing curious that in an article that so thoroughly criticizes counterfeiting counterfeit money this author vouchsafes us not a single, solitary example of these

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34 An implication of the Davidson perspective is that the innocent hero of the movie "Shawshank Redemption" was unjustified in escaping from that hell-hole, in that the warden would undoubtedly make life much more miserable for the other inmates, most of them presumably guilty (this episode presumably took place before the era of mass incarceration for victimless crimes.) I regard this as a very powerful *reductio* of her position.

35 Well, it is too late to ask the Branch Davidians. They have all been eliminated by the very people supported by these 'innocent' masses.

'legitimate avenues'. What can she possibly mean? Electing Don Saul to the presidency of Krugmanania? Tried and failed. Holding another conference on the evils of fiat currency? Writing yet another article or book on this subject? We wait with bated breath for the answer to this question. Yes, of course, "engineering an economic calamity where everyone is a potential target" is unjust, but who, precisely, is doing exactly that right *now*? Of course, it is Ben Bernanke and his minions. The libertarian counterfeiter of counterfeit money is trying to *stop* that. Davidson, in opposing this initiative, is objectively on the side of the status quo. She is, then, in effect, *supporting* what she so correctly complains of. She (2013, 86) objects that the counterfeiting of counterfeit money is "willfully causing great suffering". And so he would be. But the doctor who recommends radiation therapy for a cancer patient is also "willfully causing great suffering". Therefore, is "willfully causing great suffering" cannot be the sine qua non of libertarianism. Those who produce illegal drugs, engage in smuggling, prostitution, and other victimless crimes are also "willfully causing great suffering". The cops shoot at them, and sometimes hit innocent bystanders. Extrapolating from Davidson's analysis of counterfeiting counterfeit money, these law breakers should cease and desist. This seems more like lawnorder conservatism than libertarianism. The property of the masses of Krugmanania is forfeit. They may not have stolen their wealth from anyone, but they are still guilty of being accessories to murder; as such, they have no legitimate claim against the counterfeiter of counterfeit money who is trying to radically reduce the funds available to their Krugmananian masters, so as to decrease the ability of the latter to wage unjustified and undeclared war, as their Krugmananian constitution requires.

## **XI. Summary and conclusion**

I must take issue with this statement of Davidson's (2013, 87):

Present-day fiat notes issued and used by the government/central bank are no longer counterfeit because no pretense is made regarding their redemption for precious metals. Their use by the state, its associates, and collaborators is nevertheless a violation of the natural law because the state outlaws competing media of exchange.

I cannot quite see my way clear to agreeing with this. Yes, there is



no longer any pretense regarding redemption. But, still, we once upon a time had a monetary system that at least partially resembled a free enterprise one. Through a series of steps, we now have unbacked pieces of paper. The very same 'government/central bank' institutions responsible for this substitution are not to be considered counterfeiters? I maintain, in contrast, that while the outlawry of competing monies is indeed also a violation of the natural law, this by no means exhausts the guilt of the 'government/central bank'. Even if they suddenly allowed 'competing media of exchange' they would still not be guiltless. That is far from their only crime. Moreover, Davidson admits that present institutional arrangements constitute a violation of the natural law. Yet, she abhors undermining this system.

According to Rothbard (1969, emphasis added):

The idea prevails that to favor gold or silver money is to be a mossback reactionary; nothing could be further from the truth. For gold (as well as silver) is the People's Money; it is a valuable commodity that has developed, on the free market, as the monetary means of exchange. Gold has been replaced, at the dictate of the State, by fiat paper —by pieces of paper issued and imprinted by the government. Gold cannot be produced very easily; it must be dug laboriously out of the ground. But if paper tickets are to be money, and the State is to have the sole power to issue these virtually costless tickets, then we are all at the mercy of this gang of legalized, sovereign *counterfeiters*. Yet this is the accepted monetary system of today.

Precisely. It is government that is the counterfeiter. The counterfeiter of this governmental counterfeit money acts in the exact opposite direction of the statist counterfeiter. Davidson is backing the wrong horse, here.

Rothbard (1969) continues his intellectual assault on the position laid out by Davidson: “[...] fractional reserve banking —now a system at the behest and direction of the Federal Reserve Banks— is, like fiat paper, legalized counterfeiting [...]”. And again (Rothbard, 1969): “Federal Reserve Notes [...] are not lawful money. Only gold and silver coin [...] can be made legal tender[...]”. And once more, with feeling:

The test [...] is action; action now *vis à vis* the State. Those who side with the liberties of the people against the government are our friends and allies; those who side with the State against the people are our enemies. It is as simple as all that. The problem, as far as the Right goes, is that in recent years there have been zero actions by the Right against the State; on the contrary, the Right has almost invariably been on the side of the State.

It would appear that the position staked out by Davidson is on the 'Right'; she opposes this would-be attempt to rid us of fiat currency.<sup>36</sup>

We now move from Krugmanania to Greenspanania. The latter mythical country is a veritable saint compared to the former. Not for it mass murder all around the globe. It eschews all sort of other government interventions that kill people: socialist roads, the drug war, the FDA, the outlawry of markets in used human body parts. It is *entirely* libertarian, except for one small matter: it still indulges in counterfeit currency.<sup>37</sup> Would counterfeiting counterfeit Greenspananian money be justified?<sup>38</sup> I offer a positive answer to this query. My thought is that if Greenspanania were really that good, virtually all the Greenspananians would be libertarians. If so, and if this were the only way to rid themselves of this monetary scourge, they would virtually all support the counterfeiting of counterfeit money. After all, fiat currency, Davidson to the contrary notwithstanding, is counterfeit. They would all want to rid their country of this last vestige of statism. When and if I can convince Davidson, Machaj and Murphy of this, I will feel a lot more secure in this assessment. And, if I cannot, I will maintain that although all three are superb libertarians on virtually all issues, this one is a lacuna.

It is now time to take back my assumption that counterfeiting counterfeit money hurts the masses of people. If it is done by libertarian counterfeiters, who are trying to substitute a legitimate monetary system (gold) for an illicit one (fiat currency), yes they will be hurt in the short run, but helped in the long run. How can Davidson be so sure that time preferences are such that the present discounted value of all expected

36 Sorry, I cannot resist adding this additional comment by Rothbard (1969): "If the test is, as I hold it to be, action, and 'which side are you on, the people or the State', ... then the Right-wing in recent years —and this means the entire right, from Buckleyites and Randians straight through to phony 'anarchists' (or 'anarcho-rightists')— has been a dismal failure. Indeed, it has ranged itself on the side of the Enemy [...] "If the 'libertarians' of the Right-wing are at all interested in my approbation, there is a simple way to attain it: to acquire one-hundredth of the fortitude and the revolutionary spirit of the New Left resisters against the State; to return to the tradition of Sam Adams and Tom Paine, of Garrison and John Brown, and, in recent years, of Frank Chodorov and Vivien Kellems. Let them return to that great tradition or let them, as rapidly as possible, sink into the well-deserved dustbin of history". Unhappily for Davidson's position, at least on this one issue she seems deeply enscorced in what Rothbard denigrates as 'the Right'.

37 The taxes in Greenspanania are exceedingly low, and it is very prosperous, given that it cleaves almost entirely to the philosophy of non interventionism and free enterprise.

38 If so, then a fortiori this would apply to Krugmanania, since the inhabitants of the latter are far more deserving of victimization.

income streams will be *reduced* by this enterprise?

It is important to distinguish between deontology and utilitarianism. A libertarian Nuremberg trial is richly deserved for all those who have violated liberty. That is a matter of deontology. However, if it were threatened, or known to be imposed were libertarians to take over society, the reaction to this threat might well lessen the likelihood of success in this regard in the first place. That is a utilitarian or pragmatic concern. Perhaps it might turn out better for the goal of implementing liberty if no violators were punished (even though, deontologically, they fully deserve it) and instead a 'truth and reconciliation' system were implemented. This is an empirical issue that cannot be settled by theory alone. Counterfeiting counterfeit money is justified from a deontological point of view. If we interpret Davidson as denying this, then I judge her to be in error. However, it is also possible to interpret her not from a deontological point of view, but rather from a pragmatic one of prudential judgment: if counterfeiting counterfeit money were implemented, it might blow up in libertarian's faces, and preclude, not introduce, an era of liberty.<sup>39</sup> I cannot gainsay this. In Block (1976, 2010a, 2010b) I confess I was only concerned with deontological rights, not with cause and effect utilitarian implications.

According to libertarian theory, the punishment has to fit, or be proportional to, the crime.<sup>40</sup> Seeing fire to a wooden boat would appear to be much too severe for the crimes of which I am accusing the electorate of Krugmanania. A monetary calamity seems a far better fit. So I reject Davidson's analogy. Her viewpoint appears rather conservative: don't rock the boat, don't make waves. But this is a recipe for the continuation of the

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39 In my own view, if anyone deserved assassination it was Mao, Hitler, Stalin and Lenin. So much for deontology. But it does not follow that it would have been wise for this to have occurred, in terms of promoting liberty. It is entirely possible that did this occur, worse results would have ensued (see my debate with Clark and Klein). Whether it would have been a better means toward to the goal of freedom had this contrary to fact conditional occurred is a matter of pragmatic judgment at which we can only guess.

40 In the view of Rothbard (1998, p. 88, ft. 6): "It should be evident that our theory of proportional punishment—that people may be punished by losing their rights to the extent that they have invaded the rights of others—is frankly a retributive theory of punishment, a 'tooth (or two teeth) for a tooth' theory. Retribution is in bad repute among philosophers, who generally dismiss the concept quickly as 'primitive' or 'barbaric' and then race on to a discussion of the two other major theories of punishment: deterrence and rehabilitation. But simply to dismiss a concept as 'barbaric' can hardly suffice; after all, it is possible that in this case, the 'barbarians' hit on a concept that was superior to the more modern creeds".

status quo.

Assume that jailors threaten to murder all prisoners if any one of them escapes. Would it be impermissible for any inmate guilty of no more than a victimless crime to nevertheless engage in such an action? Of course not, from a deontological libertarian point of view. However, from the perspective of pragmatism, or utilitarianism, it is not at all that clear. It rather appears to be a matter of just war theory, upon which it would appear that there is a wide divide between me and Davidson. In sharp contrast, there is relatively little we differ on concerning counterfeiting, certainly not with regard to the positive elements thereof.

So let us briefly discuss just war theory. In my judgment, Davidson's views on counterfeiting amount to the claim that never should be launched a war against an unjust government lest innocents may be killed. Never do so, either, if they can be greatly inconvenienced, say via a hyperinflation. What can be said about this? It is a philosophical position. It is coherent. There are justly famous philosophers who have articulated it. It is not necessarily incompatible with the NAP of libertarianism.<sup>41</sup> It is an extreme position, way out on one end of the spectrum on this matter. In contrast, I am a centrist on this issue; no extremist I.<sup>42</sup> There is room in my philosophy for counterfeiting counterfeit money; evidently, not in Davidson's. "Justice though the heaven's fall" is totally alien to her philosophy. Not to mine.

Who dat<sup>43</sup> who says counterfeiting will hurt the average Krugmananian? Yes, to be sure, this applies to the ordinary counterfeiter, who is trying to steal some money from others through fraud. But the *libertarian* counterfeiter is attempting to undermine, overhaul, put a stop to, end the present system,<sup>44</sup> and replace it with free market money (e.g.,

41 Provided only that it is interpreted not as a matter of rights or deontology, but rather pragmatism.

42 Not for nothing am I known far and wide as 'Walter Moderate Block'.

43 This is a New Orleanian expression. Get used to it.

44 There is little doubt that Rothbard passionately rejected the status quo fiat currency system. Rothbard (2011, 908) states: "In short, fiat currency is inherently the money of absolute statism. Money is the central commodity, the nerve-center, as it were, of the modern market economy, and any system that vests the absolute control of that commodity in the hands of the State is hopelessly incompatible with the free-market economy or, ultimately, with individual liberty itself". Nor can it be denied that this author sees the present system as counterfeit, contrary to Davidson. Opines Rothbard (2011, 909, emphasis added): "Isn't it crystal clear that Jones will use this power of *legalized counterfeiting* to a fare-thee-well, and therefore that his rule over money will tend to be inflationary? In the same way, the State has long arrogated to itself the compulsory monopoly of *legalized*

gold). Posit that Davidson and I agree that the supplanting of the former with the latter will improve matters, not worsen them, for the average market participant. Davidson must then be operating, implicitly, under the assumption that time preferences are too high for the advantages to outweigh the disadvantages. But, she offers no evidence for this empirical claim. On the other hand, I cannot of course apodictically maintain that on net balance, when all present discounted values are incorporated into the analysis, the benefits of a 100% gold backed dollar (Rothbard, 1962) would be greater than the costs (the initial period of hyperinflation if the counterfeiting of counterfeit money is successful in ruining the present system of fraudulent money in favor of its free enterprise alternative). But it would appear that the burden of proof rests with her. It is she who is maintaining that counterfeiting counterfeit money would be harmful; would be akin to theft.

She cites Rothbard to this effect. But that scholar in the writings of his mentioned by Davidson never contemplated a *libertarian* counterfeiter, who was acting so as to supplant fiat currency with gold. Rather, he had in mind the ordinary run of the mill criminal counterfeiter who was out for his own gain, and willing to engage in fraud against innocent people. Did Rothbard in any of his writings ever contemplate the kind of counterfeiter Davidson and I are disagreeing about? Only once to the best of my knowledge, and only then very indirectly. Rothbard did write the forward to Block (1976). It was in that volume that I first raised the issue of the counterfeiting of counterfeit money. It is unlikely that Rothbard would have written that very complimentary forward had he sharply disagreed with any of its contents. On the other hand, it is entirely possible that he did not read each and every word of it when he wrote that introduction. It is entirely likely that he only glanced over it, perhaps reading a chapter or two of it to get the general idea. He might well have not even read a word of the non controversial chapters within the free enterprise community, such as those on rent control, minimum wages, free trade, etc. But it is exceedingly likely that he would have at least looked at the more controversial chapters (blackmail, libel, yelling 'fire'), and certainly among them would have been that on the counterfeiter, which started off this entire thread. Thus, this is some at least weak evidence attesting to the claim that Rothbard would have taken my side of

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*counterfeiting*, and so it has tended to use it [...]”.

this debate, not the one laid out by Davidson.<sup>45</sup>

Is the libertarian counterfeiter obligated to obtain the permission of the citizenry of Krugmanania before he embarks upon his deed of liberation? I think not. Remember, these are the people who are *supporting* the depredations of the Krugmananian government both domestically (Waco) and abroad (all throughout the world.) Such an action would not be Pareto optimal. It is not a case of at least one person being better off, and no one worse off. Davidson, at least so far, along with Murphy and Machaj, declare themselves hurt by the counterfeiting of counterfeit money. They would hardly be the only ones, since the ruling class of Krugmanania certainly gain from present institutional arrangements, and would bitterly protest any move in the direction of gold.<sup>46</sup>

Consider the following dialogue<sup>47</sup> which appeared in the screenplay of the movie "Catch-22" written by Buck Henry: Here Minderbinder speaks with the story's main character Yossarian, in the 1970 film version of Joseph Heller's novel. The character Nately has just been killed in the raid Milo contracted on a US base.

Minderbinder: "Nately died a wealthy man, Yossarian. He had over sixty shares in the syndicate".

Yossarian: "What difference does that make? He's dead".

Minderbinder: "Then his family will get it".

Yossarian: "He didn't have time to have a family".

Minderbinder: "Then his parents will get it".

Yossarian: "They don't need it. They're rich"

Minderbinder: "Then they'll understand".

In like manner I say to libertarians such as Davidson (and also Machaj and Murphy): "As libertarians you will 'understand". You may not

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45 In rereading this paragraph, it sounds all too much like one sibling saying to the other, 'Daddy liked me more than you'. Or, cultishly, that Rothbard was the leader of our philosophical community, whatever he said was right, since he supported me (at least indirectly), I must be right and Davidson wrong. In order to obviate that bit of ad hominem argumentation, I note that I am on record publicly disagreeing with Mr. Libertarian who I revere more than any other libertarian, on more than one occasion. See on this Block, 1998, 2003, 2007, 2009, 2011c; Barnett and Block, 2005, 2005-2006, 2006a, 2006b, 2007; Block, Barnett and Salerno, 2006; Block and Callahan, 2003; Block, Klein and Hansen, 2007.

46 Bernanke and his ilk would have to seek honest employment were gold instituted as money. They could no longer batten down on the public purse.

47 I owe the location of this cite to Derrick Jefferson, Public Services and Outreach Librarian, Loyola University New Orleans.

yet 'understand', but if you follow the voluntaryist philosophy to its logical conclusion, you will eventually 'understand'. For libertarianism is predicated upon the complete elimination of all statist accretions. And one of them is surely governmental counterfeiting of money. Scholars who object to this on the ground that the transition period will hurt the 99% of the populace who do not subscribe to this perspective are not being true to their own views. For virtually *any* attempt to reduce governmental power is likely to hurt someone. It is a recipe for the defense of the status quo to insist that no one's economic welfare be reduced at all in any effort to reduce the scope of coercive deprivations. As for the 99%, too bad; they are not guiltless in their support for statism. They are not entirely innocent. As for the 1%, even if they were, they will 'understand'.

Williams (2013) puts this concept well when he says:

The bottom line is that members of Congress need such a ruthless tax collection agency as the IRS because of the charge we Americans have given them. We want what the IRS does —namely, to take the earnings of one American so Congress can create a benefit for some other American. Don't get angry with IRS agents. They are just following orders.

But will this public policy prescription I am offering in this paper 'justify amorality'? Well, no. Something that is amoral has nothing to do with morality. For example, 'I like ice cream', or 'the sun is now shining', are both amoral statements. What then about *immorality*, not amorality? It may well be considered immoral to counterfeit money; and I would concur in this assessment, if the country of origin of the currency under attack was itself above board. If not, however, then not. That is, an immoral country, such as Ruritania has no standing upon which to object to an attack on its currency. But as a libertarian I am not directly concerned with morality, whether positive or negative. My focus is on what the law should be. And my conclusion is that the law should allow, not prohibit, the tearing down of societies such as Ruritania which are guilty of massive rights violations.

Let us end with a note from Rothbard (2011, 210): "What is desperately needed is to abolish the counterfeiting".<sup>48</sup> Precisely. But how to do this? Why, adopt the policy I am advocating, and counterfeit the counterfeit money. There is nothing better able to eliminate the original counterfeiting.

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48 Which would Rothbard be more concerned about? A private criminal gang, or the government? To ask this question is to answer it.

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