Dialogue with Manhar

Podcast Transcript

Austrian Economics, Entrepreneurship
& Defense Economics

Abigail R. Hall

Abigail R. Hall is a Senior Fellow at the Independent Institute and Professor of Economics at the University of Tampa. She was previously an Assistant Professor of Economics at Bellarmine University in Louisville, Kentucky. She received her Ph.D. in economics from George Mason University.

Professor Hall is the author of scholarly articles in such journals as Public Choice, Defence and Peace Economics, Advances in Austrian Economics, Review of Austrian Economics, The Independent Review, Atlantic Economic Review, and The Journal of Private Enterprise. And, her popular articles have appeared in Newsweek, The Hill, The Daily Caller, The American Thinker, and the nationally-syndicated McClatchy-Tribune News Service.

She is also the recipient of the William P. Snavley Award for Outstanding Achievement in Graduate Studies, Association of Private Enterprise Young Scholar Award (2013, 2014, 2015), and the Don Lavoie Memorial Essay Competition Award.

Her work includes topics surrounding women's issues in business and the family, civil and economic liberty, the U.S. military and national defense, including, domestic police militarization, arms sales, weapons as foreign aid, and the political economy of military technology.

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About the Guest

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Note on Format. This transcript has been lightly edited for clarity and readability. Timestamps are approximate and refer to the original recording. Speaker labels are colour-coded throughout: **Manhar Singh** (host) appears in navy blue boxes, and **Professor Abigail R. Hall** (guest) appears in purple-framed boxes.

Introduction

0:00 **Manhar Singh:** Welcome to this podcast. I am joined today by Professor Abigail Hall, Associate Professor of Economics at the University of Tampa in Florida. Professor Hall is a Senior Fellow at the Independent Institute in Oakland, California, a Senior Affiliated Scholar with the Mercatus Center at George Mason University, a Public Choice and Public Policy Fellow with the American Institute for Economic Research, and a Non-Resident Fellow with Defense Priorities.

She is the author of *Austrian Economics: An Introduction* published this year, and *How to Run Wars: A Confidential Playbook for National Security Elite* (2024). Her forthcoming book is *The Political Economy of Terrorism*. She is also the author of *Counterterrorism and the War on Terror* (Cambridge University Press, 2023), *Manufacturing Militarism: US Government Propaganda in the War on Terror*, and *Tyranny Comes Home: The Domestic Fate of US Militarism* (Stanford University Press, 2021).

Her broader research interests include Austrian economics, political economy, and defense and peace economics — encompassing topics such as US national defense, police militarization, domestic extremism, propaganda, technology and warfare, and the impact of foreign conflict on domestic institutions. Her work has been featured in *Forbes*, *Newsweek*, *Fortune*, the *Los Angeles Times*, and a variety of other outlets. Welcome to this podcast, Professor.

1:58 **Prof. Abigail R. Hall:** Thank you for having me. It is a pleasure to be here.

Journey into Economics

2:03 **Manhar Singh:** I would like to first ask you about your journey into what you are doing now — teaching and research in economics, and in particular in Austrian economics. You grew up in the state of Kentucky. Could you talk about your growing up experiences and upbringing there, then going to college at Bellarmine University, and subsequently what motivated you to pursue a PhD in economics?

2:31 **Prof. Abigail R. Hall:** Sure. For people not familiar with US geography, Kentucky is a state in the eastern half of the United States — roughly the same latitude as Washington DC but a few hundred miles west. I did grow up in Kentucky. When I went to university, I thought first that I was going to be a nurse and then decided very quickly that would be an absolutely terrible career choice. Through a series of classes and not being sure what I wanted to do, I found an economics class. In that first course, my professor and mentor — she is retired now — Dr. Myra McCrickard was really encouraging me to major in economics.

At the time, I did not really think about pursuing a major. I thought that economics was difficult and counterintuitive. I was doing well in the class but was not always sure why. By the end of the course I found myself more interested. I took a couple more classes, and then it was in a course in labor economics where this same professor explained some really counterintuitive ways of thinking about labor policy — and I remember having this moment of thinking: *this is the coolest thing I have ever heard and seen in my entire life, and I want to do what she does*.

4:12 **Prof. Abigail R. Hall:** So at that point my economics training really began in earnest. I told her as well as the other economist at Bellarmine University that I was interested in graduate school, and we started putting the pieces together to get me ready. It was while I was at Bellarmine that I actually read a book by another economist named William Easterly, recently retired from New York University. In his book *The Elusive Quest for Growth*, he talks about the poverty rates in Eastern Kentucky and West Virginia — these two areas represent the poorest what we call an ethnographic poverty cluster. That provided the motivation for the first solo-author paper I would write in graduate school.

5:18 **Manhar Singh:** And what was that paper called, if you remember?

5:21 **Prof. Abigail R. Hall:** The paper was titled *Mountains of Disappointment: The Failure of State-Led Development Aid* — referring to the Appalachian Mountains.

5:32 **Manhar Singh:** You subsequently went to George Mason University for your PhD?

5:42 **Prof. Abigail R. Hall:** Yes. When I was at Bellarmine, I also had the opportunity to attend a seminar at the University of Louisville where I was introduced to books by Ludwig von Mises, and the opportunity to meet an economist by the name of Peter Boettke who teaches at George Mason University. Within the context of that meeting I was alerted to not only GMU's programming and its emphasis but also the Mercatus Center — and as they say, the rest is history.

6:14 **Manhar Singh:** And the George Mason PhD program is a very unorthodox PhD program compared to other programs in the US. Is that correct?

6:27 **Prof. Abigail R. Hall:** It can be. George Mason is certainly known for two primary fields of emphasis: one is the Austrian school — what might also be referred to as market process theory or market process economics — and the other is public choice or the economics of politics. My graduate degree especially after the first year probably looked very different from people who went to other programs. But as I like to tell people, I still had to learn all of my standard micro and macro, all of the econometrics I needed for a PhD economist. But I had a lot of opportunity and flexibility to study things I was really excited about.

7:33 **Manhar Singh:** And your PhD supervisor's role — was that a big turning point for you?

7:40 **Prof. Abigail R. Hall:** Absolutely. I mentioned Peter Boettke, who I met as an undergraduate — he would serve on my dissertation committee. My dissertation chair is Chris Coyne, an economist at George Mason, who is a co-author with me not only on this book but on several of the other books you mentioned at the top. They are all joint projects. Not only was he essential in developing me as a researcher and as a teacher, but I tell people I really feel like I won the lottery — not only did I get along really well with my doctoral adviser, but we continue to work very closely together on projects. It has been a remarkable experience.

Austrian Economics: Methodology and Philosophy

8:34 **Manhar Singh:** The real flavour of the Austrian school is being very conceptual and theoretically driven — a school where it is considered to be anti-mathematics. But the idea is that the Austrian school looks at things very differently.

8:56 **Prof. Abigail R. Hall:** I think there are a few ways to think about it. You are correct that the perception of Austrian economics is often that it is anti-quantitative or anti-empirical. That is not the case. One of the things I really appreciate about the Austrian tradition is that we are open to methodological pluralism — we are not pigeonholed into using one type of analysis. If you look at most of my journal publications, they look strange from a mainstream economic perspective because you often will not find an econometric model or statistical tables. It is not because I do not think there is value in econometrics — there certainly is. But I am interested in questions that I cannot necessarily use econometrics to answer. Either the tools are inappropriate for the questions I am asking, or the data is not available. When we talk about Austrian economics, it is a plurality of methods.

10:44 **Manhar Singh:** This ties into the social sciences versus hard sciences issue in economics. The Austrian school insists that we study human action itself, and therefore we simply cannot import methods from physics or chemistry or applied mathematics. And there has been in economics a theoretical crisis — an absence of strong cumulative theoretical frameworks that can generate robust predictions. The Austrian school can certainly help answer questions for which there seems to be no convergence of answers in the economics profession.

12:03 **Prof. Abigail R. Hall:** Right. What you are getting at is one of the core things that makes the Austrian school distinct. One of the things that has occurred over time is this progressive integration of the tools of mathematics and the hard sciences into economics. It really comes down to the difference in what economists are studying versus what scholars in fields like chemistry, biology, mathematics and physics are studying. If you think about physics or biology, we can study organisms and cells and be completely external from them. But human beings are a very different thing to study than rocks or trees or single-cell organisms.
Human beings are complex and we are the things that we study — and so that embeddedness, that integration and the complexities of humanity mean that the tools utilized effectively in other sciences are from the Austrian perspective largely inappropriate within the context of social science. There is not one objective goal of all of humanity. People think and feel different things. People change over time. And so the kind of predictive modelling that people use in other sciences is from the Austrian perspective inappropriate for studying social sciences

including economics.

15:34 **Prof. Abigail R. Hall:** When we are engaging in an analysis, one of the things we are really paying attention to is this idea of subjective value. The facts of social sciences are what people think and feel. When analyzing policy, Austrian scholars will adopt a means-ends framework — looking at a stated goal, taking that goal as given, and then analyzing the means or the action that economic actors are undertaking to try to achieve that particular goal. We are not judging the ends.

The Socialist Calculation Debate

17:43 **Manhar Singh:** This brings us to the stages of evolution of the Austrian school. The first stage was the Mises challenge — that central planners cannot perform economic calculations without market prices.

18:06 **Prof. Abigail R. Hall:** One of the big things if people are familiar with the Austrian school is this broader socialist calculation debate. This is something happening really starting in the early 1900s and continuing through the cold war period. If we think about it in two different camps: on one hand, there is this idea that a centrally planned economy — in which a government assumes ownership over the means of production — can, in the words of its proponents, outstrip capitalism. A lot of this emerges out of the Great Depression in the 1930s — the idea that markets are prone to systematic failure and government needs to step in. The big example of course is the Soviet Union.
Ludwig von Mises, writing in the 1920s — you can look at his book *Socialism* as a solid starting point — challenges this idea on the basis that individuals within this central planning apparatus lack sufficient knowledge to engage in central planning. That is really this first stage. And it is important to note that when Mises is making this argument, his opponents took him and his critiques very seriously.

20:58 **Manhar Singh:** And this was taken over by Hayek's knowledge critique. He shifted the argument where he said that the problem is not logical impossibility but the tacit, dispersed nature of knowledge. No central authority can generate or synthesize what is embedded in billions of individual actors. There is also a third way here which you see in many Scandinavian countries — a market socialism response.

21:28 **Prof. Abigail R. Hall:** Yes. When we see this second stage of the debate, you have John Maynard Keynes on one side — a big proponent of heavy government involvement in economic planning — and contra to Keynes you have Hayek. Hayek comes back to these market socialists who had come up with ideas supposedly going to solve Mises's knowledge critique. You think about central planning boards gathering feedback from firms and using it as an analogous mechanism to what is present in the market. For people familiar with linear or matrix algebra, Leontief's input-output model puts all your variables into a matrix, you row-reduce them, and magically you have figured out your solution — treating the economy like a really big math problem.

But what Hayek points out is that it is not that simple and in fact there is no analogous mechanism outside of the market when it comes to generating subjective knowledge. Hayek's arguments centre around epistemology — knowledge — but also how knowledge is acquired and transmitted. Knowledge is dispersed and spread among economic actors, but it is also tacit — difficult, perhaps impossible, to articulate. A good example of tacit knowledge would be riding a bicycle. We taught our oldest how to ride a bicycle and it seems like it should be very easy to explain: you sit on the seat, you balance, and then you pedal. But anyone who has ever ridden a bicycle knows there is some amount of just internal, innate knowledge that is really difficult to actually explain. In Hayek's discussion of this dispersed and tacit knowledge, the question becomes how is it conveyed and utilized? And his answer relates to markets — there is no analogous mechanism in a comprehensively planned economic system to approximate those market mechanisms.

26:18 **Manhar Singh:** And then one of the last stages was Don Lavoie's two books — *Islands of Socialism* — where he said that sector-specific planning or government intervention also faces the same information and incentive problems as comprehensive central planning. And in your book, professor, you note that Paul Samuelson repeatedly revised the projections of Soviet GDP in his textbook, pushing back the dates with each edition until the USSR collapsed.

26:54 **Prof. Abigail R. Hall:** That is correct. When you go back to the second stage of the debate, people very much thought that Keynes and those advocating a much more intensive role for government had won this intellectual debate — often pointing to figures from the Soviet Union as evidence. Paul Samuelson, a very well-known economist, would not give up saying that the Soviet Union is going to outpace Western capitalist societies really until the Soviet Union collapsed. It was only in the late 1980s and early 1990s where people start to really reassess the feasibility of what the Soviet Union was attempting to do. And then you see this reorientation and renewed interest in the Austrian school — these thinkers who were arguing that this is not viable.

Don Lavoie's idea of non-comprehensive planning is essentially this: yes, we know that markets are great, but they tend to have these problems. So what if government intervenes in certain sectors of the economy and lets the rest work with market mechanisms? It is a proposed third way between totally free markets and comprehensive socialism. In Lavoie's work, what he argues is that these proposals for this supposed third way do not address the problems ultimately raised by thinkers like Mises and Hayek.

Carl Menger and the Marginalist Revolution

29:54 **Manhar Singh:** We have talked about Mises, Hayek and other Austrian thinkers, but the founding figure in the Austrian school was Carl Menger. His *Principles of Economics* appeared in 1871 alongside Jevons's *Theory of Political Economy* — launching the marginalist revolution, challenging the idea that value is objective, and placing the consumer rather than the producer at the centre of economic analysis.

31:26 **Prof. Abigail R. Hall:** Yes. When Austrian economics traces its roots we start with Carl Menger. He publishes his Principles book in 1871 and conceptualizes this idea of marginal thinking at about the same time as Stanley Jevons and Leon Walras. The idea of marginal thinking is that we do not tend to make decisions on an all-or-nothing basis. Right now I am drinking a cup of tea and my choice this morning was not "am I going to drink tea or not" — it is "am I going to drink maybe one more cup of tea?" That decision of thinking on the margin — do I want to spend one more hour watching TV, do I want to buy one more apple — was very different from the prevailing wisdom at the time.

In the book we talk about how this concept of marginal thinking and how we value the next unit solved some economic mysteries of the time — namely what we call the diamond-water paradox. People recognized that water is essential for life, diamonds are not. And yet people are willing to pay a lot for diamonds and relatively little for water. If you are not thinking marginally, this is a big puzzle. But if you understand marginal thinking — I have a lot of units of water and relatively few units of diamonds — so I am not going to be willing to pay very much for that next unit of water, where I might be willing to pay more for that next unit of diamonds. This links very clearly to what makes Menger so important — this emphasis on subjectivism, particularly consumer valuation.

34:26 **Prof. Abigail R. Hall:** In that example about diamonds and water, it is not the producers who are driving the value — it is the value that the consumers place on the resource. Up until this point, economists were thinking the value of a particular good was based on the value of its inputs. But Menger takes a different approach: it has nothing to do with the length of the production process or the purported value the supplier places on the goods. It is the ultimate consumer. Take something like a smartphone. Why do we pay about $1,200 for a contemporary iPhone? It is not because of the price of the component parts. It is because of the value I derive from the phone. That subjective consumer value fundamentally changes the way economists approach economic analysis.

James Buchanan and the Exchange Paradigm

36:04 **Manhar Singh:** We come now to what I think most economists should be taking very seriously — and this ties back to the 1963 presidential address which James Buchanan gave at the Southern Economic Association, titled *What Should Economists Do*. The study of economics is not one of maximization but instead one of understanding the various institutional contexts within which imperfect humans must interact and exchange. Buchanan was challenging the prevailing orthodoxy that treated the economic problem of society as one of allocating scarce resources among competing ends.

37:00 **Prof. Abigail R. Hall:** This is perhaps one of my very favorite Buchanan pieces. Though Buchanan is coming from a perspective of a public choice scholar or constitutional political economy, it speaks very well to very Austrian points about the science of economics. What Buchanan is positing is: what is the function of economics, and what is the function of economists? What you see in thinkers like Hicks and Samuelson is that the purpose of economics is one of resource allocation — how do we take scarce resources and allocate them in the most efficient way? But Buchanan is really questioning whether that is the function of economics as a discipline. He is emphasizing that the problem of economics is not one of resource allocation but one of *understanding* and one of *exchange*.

39:50 **Prof. Abigail R. Hall:** We talk about this distinction between what we call an allocation paradigm — where we have scarce resources, known welfare or utility functions, and our goal is to solve a Walrasian system — and an exchange paradigm. A supply and demand framework: upward sloping supply curve, downward sloping demand curve, equilibrium where they cross. The neoclassical approach looks at comparative statics — we look at an equilibrium point and stay there unless some external force moves us away.
We contrast that to the exchange paradigm in which there is no fixed endpoint because value is subjective — people are constantly changing, knowledge is communicated and discovered and changes over time. A simple way to think about it: the allocation paradigm is like watching the final episode of a TV series where all characters have been fully developed, all plot lines have come to their nice conclusion, and we know the end state. Whereas the exchange approach — the one Buchanan is talking about and the one prominent in the Austrian tradition — is more akin to an ongoing TV show in which characters emerge and go away, plot lines evolve and change, and the story is never finished. When you think about it like that, you really get a good understanding of just how fundamental the differences are between taking one paradigm as your basic starting point versus the other.

48:45 **Manhar Singh:** And this exchange paradigm has a specific term — catallactics. Buchanan referred to this as catallactics or symbiotics to draw attention to interaction, association and exchange.

49:12 **Prof. Abigail R. Hall:** Yes. One of my favorite facts about the term catallactics is that it quite literally means *to turn an enemy into a friend* — and that tells us a great deal about trade and voluntary exchange.

Israel Kirzner and Entrepreneurial Alertness

42:32 **Manhar Singh:** In the exchange paradigm, the emphasis on the entrepreneur is the central point through which coordination takes place — because the entrepreneur is alert to profit opportunities as well as willing to bet on perceived opportunities. They drive economic change through arbitrage and innovations. This was driven largely by the work of Israel Kirzner in the 1970s.

43:16 **Prof. Abigail R. Hall:** Yes — you are asking me about all my favourite people, so I appreciate that. Kirzner is one of those scholars whose work we really start looking at in the 1970s. Within the broader context with Kirzner you really start to see what is now referred to as the Austrian revival — the re-emergence of the Austrian school as a serious intellectual force. We owe that in very large part to the work of Israel Kirzner. When we think about how to answer the questions raised by Mises and Hayek in terms of knowledge and how it is discovered and communicated, Kirzner comes in with this discussion of the function of the entrepreneur.
It is important to note that Kirzner's concept of the entrepreneur looks different from the way other academic work thinks about entrepreneurship. For Kirzner, entrepreneurship — or entrepreneurial alertness as he calls it — is something possessed by all people. People are going to be alert to different profit opportunities — ways that they can reconfigure capital or different

processes that they can use to solve potential problems, find new solutions, provide new goods and services, or find different ways of reworking things to change processes that have historically been in place. Kirzner's work is profoundly important in our understanding of how markets function. But when we talk about intervention into markets — whether non-comprehensive planning or comprehensive socialism — Kirzner's work on entrepreneurship also provides important insights as to how that intervention impacts people's entrepreneurial alertness and how they direct their entrepreneurial energies in productive as well as unproductive ways.

45:54 **Manhar Singh:** Kirzner's work was the foundation for the entrepreneurship theory literature which Scott Shane and Sankaran Venkataraman built in the 1990s and 2000s. People are still building on his work today.

46:11 **Prof. Abigail R. Hall:** Yes. My colleagues here at the University of Tampa in entrepreneurship are all familiar with Kirzner. His work is really well known within that discipline. And that is one very clear area where people can see how Austrian economics and the insights from Austrian scholars have been adopted and really integrated into other disciplines.

47:17 **Manhar Singh:** Thomas Sowell in his work has also spoken extensively about how policy makers are very concerned about the distribution of wealth without any consideration whatsoever as to what creates wealth in the first place. Policy makers should not be a stumbling block for entrepreneurial ventures.

47:24 **Prof. Abigail R. Hall:** Yes — there is definitely that. Kirzner's points extend beyond just regulatory environments. One of the things Kirzner talks about is: when the US government started primarily funding academic research in the 1930s and 1940s, how did that change the way academics channelled their entrepreneurial energies? Government intervention changes the things that become profitable for people to pursue. So entrepreneurial energies may be channelled toward things that otherwise would not have seen a lot of emphasis. At the same time, other things which would have received a lot of attention become less attractive because they are less profitable.

Spontaneous Order

49:55 **Manhar Singh:** We come now to the concept of spontaneous order for which Vernon Smith was awarded the Nobel Prize in 2002. I will quote from his book *Constructivist and Ecological Rationality in Economics* (2002):

> *"People follow rules without being able to articulate them, but they can be discovered. … Rules emerge as a spontaneous order–they are found–not deliberately designed by one calculating mind. Initially constructivist institutions undergo evolutionary change adapting beyond the circumstances that gave them birth. What emerges is a form of 'social mind' that solves complex organization problems without conscious cognition."*

50:56 **Prof. Abigail R. Hall:** One of the things that figures very prominently in the Austrian tradition is this emphasis on and real analysis of the concept of spontaneous order — which refers to this phenomenon where we have emergent orders that are the product of human interaction but decidedly *not* the product of human design. This idea we can trace all the way back to Menger who talks about the origins of money. It was not as though a state conceived of and suddenly created money. This was an institution that emerged over time. We can talk about similar things related to language and then of course markets as examples of spontaneous order.

One of the interesting things about spontaneous order is not only the historical treatments but contemporary scholarship as well — asking how far we can push this idea of spontaneous order. Is it that these spontaneous orders are broadly beneficial only within the context of the state as referee? Or on the opposite end of that spectrum, can we see emergence in institutions that produce outcomes better than state-driven ones?

53:02 **Manhar Singh:** This requires coordination of different plans and ends of individuals. The economist Klein notes there are two notions of coordination in the economics literature. The first — best illustrated by Nobel laureate Thomas Schelling — is coordination as something we hope to achieve in our interaction with others, illustrated by simple coordination games such as driving on the same side of the road. The second is grounded in the notion of spontaneous order and can be found in the writings of Adam Smith, Carl Menger, F.A. Hayek and Michael Polanyi.

54:29 **Prof. Abigail R. Hall:** That provides a nice summary. Tom Schelling of course is well known as a Nobel Prize-winning economist known for game theory. You really see the difference between these two different ways of conceptualizing coordination when you look at policy. Tom Schelling's work is largely behind what we now call mutual assured destruction or deterrence when we talk about nuclear weapons. In his conceptualization and these game theoretic models, there are a lot of assumptions about rationality and the boundaries of actors — constructing policies such that we reach static stable outcomes.

You compare that to Kenneth Boulding — another really influential figure in the foundation of defense and conflict studies — who instead of assuming these very limited, narrow ideas of rationality is more appreciative of this broader type of exchange that is not occurring in very rigid types of formalized constraints. The two of them come to very radically different conclusions about the overall feasibility of deterrence policy. It is just another way of highlighting how when you take these differences seriously, they are not surface-level differences — they fundamentally alter the way that we conceptualize research and its potential implications.

Behavioral Economics: An Austrian Perspective

56:35 **Manhar Singh:** One research area that has come out recently is behavioral economics. But approached from the Austrian point of view, there is no such thing as irrational behavior — people are acting according to the information that they have at their disposal.

57:22 **Prof. Abigail R. Hall:** When we think about how we define rationality — in a neoclassical sense, actors are rational meaning they have a fixed and known utility function and our models assume that actors are working to maximize their utility. If that is the position of rationality you take, then when behavioral economics looks at places where people are not strictly rational in that neoclassical sense and highlights a variety of cognitive biases that look like irrational behavior — that presents a really big problem for the neoclassical framework. But that does not present the same challenge to the Austrian tradition. The Austrian conceptualization of rationality is not one of maximizing utility functions but instead one of human action — what Mises refers to as praxiology, the science of human action. Thinking about rationality from that perspective: I as an economic actor am undertaking actions to achieve a particular goal. That certainly does not mean people cannot make mistakes. I might think that an action is helping me achieve my goal, but it may not be. That does not mean I am irrational in the Austrian context. So while behavioral economics may present a challenge to neoclassical economics, it does not present the same challenges to the Austrian conceptualization.

1:00:02 **Prof. Abigail R. Hall:** And I always feel remiss if I do not mention that behavioral economics is having its own massive replication crisis. Many of its most celebrated findings have failed to replicate under rigorous experimental conditions, raising questions about how strong a challenge it actually poses even to the neoclassical framework it targets.

1:00:27 **Manhar Singh:** And as far as the issue of acting irrationally, you saw this explicitly playing out in the 2008 financial crisis where greed or irrationality was being labeled as the cause. But reading William Barnett's book *Getting It Wrong: How Faulty Monetary Statistics Undermine the Fed, Financial System and the Economy*, he makes this point precisely — actors were responding sensibly to distorted institutional signals and incomplete information. What was being distorted was that monetary aggregates were being measured via the simple sum method, which is a flawed way of measuring monetary aggregates.

The Ratchet Effect and Government Growth

1:01:15 **Manhar Singh:** We come now to your paper on the ratchet effect, written with Professor Christopher Coyne. You say that whenever a crisis occurs, government powers expand, and after the crisis it is very difficult for government to return to its previous level — it permanently acquires a larger share of the economy.

1:02:02 **Prof. Abigail R. Hall:** Right. The ratchet effect — initially conceptualized in the 1960s but developed more fully in 1987 by economic historian Robert Higgs — figures very prominently in my work with Chris. The basic idea: crises provide an opportunity for governments to expand in terms of scale — meaning size — as well as scope — referring to the types or number of activities that government is involved with. The basic mechanics: a crisis occurs, citizens call for government to act, government expands in scale and scope, and even after the crisis abates, the growth of government does not go back to its pre-crisis level. You have this potentially permanent increase in the overall size and functions of government.

One of the things my co-author and I do in a lot of our work is analyze changes in scope — something that standard econometrically-driven models are not well suited to. While we can quantify scale, scope may be difficult or impossible to quantify in a statistically workable way. But we can still utilize different economic methods and tools to get at those questions of scope.

1:03:58 **Manhar Singh:** And in the paper you have a strong counter — that collective action outside the state can sometimes substitute for government crisis response, limiting the ratchet.

1:04:16 **Prof. Abigail R. Hall:** Yes. One of the things we talk about is the importance of ideology — very Austrian in terms of what it is that people think, feel and believe. But then the point related to the Ostroms — Vincent and Elinor, associated with the Bloomington school — they place this emphasis on polycentricity: having multiple overlapping jurisdictional layers working to solve problems. One of the things that Chris and I have looked at is the possibilities and historical examples of things related to polycentric defense but you can find this in lots of other scholarship including recovery from natural disasters.

Defense, War and Peace Economics

1:05:19 **Manhar Singh:** We come now to the last question — and I would assume this area of research is very dear to you — which is war, defense and peace economics. Where does Austrian economics have a lot of ways to look at defense economics?

1:05:52 **Prof. Abigail R. Hall:** Yes. One of the things that my co-author and I in this latest book attempt to do is talk about the contemporary work drawing from the Austrian tradition — and the one I am most deeply involved in is this branch looking at things related to peace, war and defense broadly construed. If you look at the standard defense and peace economics literature which emerges in the 1950s and 1960s — Thomas Schelling and Kenneth Boulding are prominent — you will find a lot of game theory and statistics. That is fine and helpful in solving certain problems, but it omits or struggles when talking about a lot of other important things where economic insights are important but not necessarily quantifiable in the way that economists like to measure things.
A lot of the research I do in this area draws heavily from the Austrian tradition — thinking about putting things within an exchange paradigm, appreciating relative prices, the institutional structures in which economic actors are operating within the context of war and defense. Things like police militarization and the use of unmanned aerial vehicles — those are types of things I work on.

1:08:03 **Manhar Singh:** Do you think these questions have become more important since Trump became president of the US?

1:08:08 **Prof. Abigail R. Hall:** I think that unfortunately these questions are evergreen — they are always important. Certainly with recent military interventions — you think about Iran and Venezuela — that has shed some renewed light on the contemporary relevance of these topics. And then the war in Ukraine, the war between Israel and Hamas, and a lot of internal dynamics throughout the world related to militarization and conflict — these things are very broadly applicable.

India–US Relations in the 21st Century

1:08:55 **Manhar Singh:** My last question is with reference to India and the India-US relationship. How do you see this taking shape in the 21st century?

1:09:21 **Prof. Abigail R. Hall:** I will say from the outset that I am very much not an expert in the Indian economy or US-India relations. So everything I say is prefaced with that very large caveat. One of the things that has been most important over the last two years specifically is our trade relationships between the United States and India. Especially when we are talking about tariffs and trade restrictions, the relationship that the US has had historically and what the contemporary relationship looks like with India. India is a very large economy. It is a growing economy. The US has historically enjoyed very close ties with India in terms of trade, but with all of the recent back and forth on trade policy, you have seen this very reasonable and rational perspective from Indian policy makers to diversify — not rely so much on US trade relationships but expanding them elsewhere. And that has a lot of implications not only from bilateral trade between the US and India but also from a geopolitical perspective going forward.

1:11:13 **Manhar Singh:** We have finalized our free trade agreement with Europe and there are three or four other countries with which we are close to done. The trade deal with India is in the final stages. Any other points you want to add?

1:11:31 **Prof. Abigail R. Hall:** I think we have covered certainly a lot of ground. If people are interested in more information, my co-author and I would absolutely love it if people go out and read the book — that will give people what we hope is an accessible introduction. But certainly there is a lot else out there with respect to Austrian economics and the Austrian tradition. I would point people to the Mercatus Center at George Mason — they have not only a lot of resources available for individuals interested but also a variety of fellowship programs that would be of interest to people who want to explore these ideas further.

1:12:28 **Manhar Singh:** And professor, your book *How to Run Wars: A Confidential Playbook for the National Security Elite* is an excellent book. I have actually read it, but I wanted to dedicate a whole podcast to it. Maybe sometime in the future we will dedicate a complete episode to it.

1:12:52 **Prof. Abigail R. Hall:** That sounds great.

1:12:55 **Manhar Singh:** Thank you professor. It was a lovely discussion talking about the Austrian school of thought and entrepreneurship.

1:13:02 **Prof. Abigail R. Hall:** Thank you.

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