

FREEMarket

PUBLISHED 10 TIMES PER YEAR BY THE LUDWIG VON MISES INSTITUTE

ROTHBARD MAKES SENSE

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Murray Newton Rothbard (1926–1995) was one of the most important thinkers of the twentieth century. I choose the somewhat vague term thinker because Rothbard’s interests were so diverse that they defy conventional classification.

Yes, Rothbard was an economic theorist in the “Austrian” tradition of Ludwig von Mises and Friedrich Hayek. But Rothbard also wrote a detailed history of the Great Depression, two volumes on the history of economic thought, several methodological articles, as well as an incredibly lucid text on economic principles.

With the specialization of the modern economics profession, these feats alone would be unusual: You do either economic theory, economic history, history of economic thought (if you don’t care about getting a job, at any rate), or—if you’re one of the few economists who can actually produce prose that students and the lay public find comprehensible—you go ahead and write an introductory textbook. Except for freaks like Paul Samuelson (and Murray Rothbard), you don’t do all of these things, just as a surgeon specializes in the heart or the brain, but never both.

And yet we can’t stop there. In addition to his contributions to all areas of economics, Rothbard wrote four (provocative) volumes on the history of colonial America. He also drew on philosophy, political science, and legal theory to synthesize a 357-page deductive treatise on the nature and content of the legal code in a just and free society. Oh yes, I almost forgot: Rothbard virtually single-handedly created the modern libertarian movement through his ceaseless agitation and two books, one explaining the terrible consequences of all government intervention and the other giving the virtual blueprints for a society with no government.

“An impressive fellow,” you may say, “who was no doubt a genius. Yet surely he was a humorless robot of a man, spewing forth lonely and bitter critiques of all those lesser mortals with whom he could not identify.”

Now this relates to the really surprising aspect of Murray Rothbard—the guy was funny, and he was a real person. You will see this immediately as you read the essays in *Making Economic Sense*, published by the Mises Institute in a new edition.

If this volume is your only sampling of Rothbard’s work, it may give the impression that his writing was remarkably entertaining in light of how, well, stuffy the topics ➡



were. But what do you expect? Most of these essays were originally published in the *Free Market*, a newsletter obviously devoted to economic and political issues, subjects that can at times (despite their tremendous importance) be a bit dry in the hands of others.

The *Free Market* was founded in 1982 to promote and advance the legacy of Rothbard's beloved mentor. Ludwig von Mises (1881–1973) was the undisputed champion of the Austrian School of economics during his lifetime. (The term “Austrian” refers to the nationality of the School's pioneers; Austrian economists do not study the unemployment rate of Vienna.)

Among his theoretical achievements was the incorporation, in the early twentieth century, of money prices into the subjectivist, marginalist framework that other economists of that day had used only to explain prices in a barter economy. Mises also drew on the work of his own mentor, Eugen von Böhm-Bawerk, as well as Knut Wicksell, to elaborate a theory of the business cycle that laid the blame not on capitalism but rather on the central government's manipulations of the banking system. (It was for his elaboration of the Misesian cycle theory that Friedrich Hayek won the Nobel Prize in economics in 1974.)

Another major contribution was Mises's work on methodology, in which he argued that economic laws were a subset of “praxeology”—the logic or science of human action—and were not comparable to the physical laws of the natural sciences. In the natural sciences, we observe the actual outcome—the trajectory of a cannonball, let us say—

and then we must come up with hypotheses to explain the causal forces at work.

In contrast, in the social sciences (whether criminology, sociology, psychology, or economics) we presumably know the motivating forces at work, at least at a certain level of generality: When a man robs a bank, we do not study the physical forces on the atoms in his body, but rather ask, “What drove him to this desperate act? Didn't he have a strong role model to teach him right from wrong?” and so on. (It's not so much that we couldn't use the methods of the physicist or chemist, but just that they wouldn't take us very far. They certainly wouldn't help detectives recover the loot! For that task, we need to “get inside the head” of the thief.)

Mises looked at the growing body of economic analysis (at least in the early twentieth century) and crystallized its essence as logical deductions from the fact that people act; in other words, Mises felt all valid economic laws were implied by the fact that people are rational (though fallible) beings who choose means to (attempt to) achieve desired ends.

I bring this point up because there is a tendency among certain people to lump all “free market” economists together, so that Milton Friedman and Ludwig von Mises (or Murray Rothbard) are “basically saying the same thing.” This issue of the proper foundation of economic science is one major example of the error of such careless grouping; in exact contradiction to the view of Mises and Rothbard, Milton Friedman is famous for his defense of

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Editor: Jeffrey A. Tucker. Contributing editors: Thomas J. DiLorenzo,
Jeffrey M. Herbener, Robert Higgs, Mark Thornton.
Publisher: Llewellyn H. Rockwell, Jr.

The *Free Market* is published 10 times a year.

Note: the views expressed in the *Free Market* are not necessarily those of the Ludwig von Mises Institute.

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positivism in economics, i.e., the application of the methods of the physical sciences to the social sciences.

There is another difference between Mises (and Rothbard) and such popular advocates of laissez-faire as Milton Friedman or, more recently, heroes of American political “conservatives” such as Lawrence Kudlow or Alan Greenspan. It is true that all of these economists would agree, say, that a cut in the capital gains tax would be good for the American economy, or that raising the minimum wage to \$10 per hour would hurt inner city minorities.

In that sense they are all “anti-government.” But Mises (and even more so, Rothbard) were far more consistent in their promotion of individual liberty and free enterprise, and their condemnation of government intervention in the economy. Thus Friedman could advocate a “negative income tax”—i.e., a welfare program that is novel only in the method by which the amounts of the checks are calculated—and Greenspan and Kudlow certainly do not feel “government is the problem” when it comes to the Federal Reserve.

Of course, some may feel that these last remarks are both unfair and politically naïve. Indeed, one of the biggest complaints against Mises, and especially Rothbard, is that they were stubborn, “dogmatic” ideologues, who couldn’t support a move in the right direction because of their unrealistic principles.

Although I don’t subscribe to this objection, this is hardly the place for me to answer it. Let me mention, though, that another popular objection is that Rothbard was a sellout who would ally with various communists, Democrats, protectionist Republicans, etc. based on the shifting political winds. Now say what you will about his strategic vision—and the huge growth of the extremely radical “anarcho-capitalist” movement is a point in his favor—but Rothbard can’t be both a dogmatic purist and an opportunistic sellout at the same time!

I wish I could include some of my personal anecdotes of Rothbard to give you a sense of the man, but unfortunately I never met him. As many say of John F. Kennedy, I can truly remember exactly where I was when I learned the news. I was an economics major at Hillsdale College, and another student mentioned to me that “some big free-market economist” had died. With a sinking stomach I asked, “It’s not Murray Rothbard, is it?” to which my friend replied, “Yeah, that was his name.”

I was extremely disappointed because, in many respects, Rothbard’s work (in both economics proper and political philosophy) had been the standard by which I would judge my own. On those issues where we disagreed—and there were many—I wanted to hear him reply to my critiques, and now that would be impossible. (Yes, I was as self-absorbed as any other American undergrad.) But on those issues where we agreed—where Rothbard really nailed the issue, in my mind—wow did he do it beautifully.

You will see this in *Making Economic Sense*. In addition to being correct, Rothbard’s prose is also precise and direct. (In contrast, Hayek’s points are often valid and extremely precise, but might involve seven clauses and three semicolons.) You will also get a sense of Rothbard’s extreme breadth of knowledge. To paraphrase Mark Twain: the older I get, the smarter Murray Rothbard becomes.

I realized this when I first taught an advanced class in Austrian economics, and one of the readings was Rothbard’s famous (1956) essay, “Toward a Reconstruction of Utility and Welfare Economics.” Having just graduated from a fairly highly ranked doctoral program in mathematical economics, I considered myself quite knowledgeable about abstract concepts such as von Neumann-Morgenstern utility functions. I was quite surprised, then, to see that Rothbard was perfectly adept with the mathematical sophistication in these demonstrations,

and could point out their underlying (false) assumptions.

I was surprised yet again when rereading this book, and came across Rothbard's essay on chaos theory. Because of an honors seminar on "spontaneous order" (i.e., the emergence of orderly macro phenomena from simple micro foundations), I had just read an entire book on the history and current applications of chaos theory—and that's how I knew that Rothbard had apparently done the same, because his essay contains references to names and subtle points that suggest a deep understanding.

What's particularly ironic is that I had read this essay years earlier, when *Making Economic Sense* first appeared, and must have skimmed over these subtleties because at the time I didn't quite know what Rothbard was talking about.

The one other anecdote I can share concerns a roadtrip that I was taking with my mother and her friend. I had taken my (first edition) copy of *Making Economic Sense* even though I had read it cover to cover before. At some point in the trip, my mother's friend became bored and asked if she could look at it. I agreed with hesitation; even though I knew Rothbard was great, surely a "real person" would find him boring and/or crazy! But as it turns out, she was chuckling after a few pages, and even began discussing the book with my mother.

She particularly liked Rothbard's observation that new houses can't be built to last as long as older ones, because, "Oh, we couldn't afford to build it that way today." In short, although I can't remember exactly what drove my insecurity—hey, I think I was still a teenager—it was completely unfounded.

Although many of us younger libertarians were shocked and disillusioned with the Republican Party over George W. Bush's unprecedented deficits and propensity to conquer other countries, some of the enclosed essays show us that this is nothing new. Of Ronald Reagan Rothbard writes:

"It is no accident that the same administration that manages to combine the rhetoric of 'getting government off our back' with the reality of enormously escalating Big Government, should also have brought back a failed and statist Keynesianism in the name of prosperity and free enterprise."

In a later essay he continues:

"Since the beginning of the Reagan administration, the much heralded 'cuts' in the officially dubbed 'income-tax' segment of our payroll taxes have been more than offset by the rise in the 'Social-Security' portion. But since the public has been conditioned into thinking that the Social Security tax is somehow not a tax, the Reagan-Bush administrations have been able to get away with their pose as heroic champions of tax cuts and resisters against the tax-raising inclinations of the evil Democrats."

As far as the Middle East is concerned, Rothbard's essay "Why the Intervention in Arabia?" is cogent reading for today. (A similar phenomenon occurs if one listens to the stand-up rantings of the late comedian Bill Hicks. Even though he died before the invasion of Iraq, one could listen to his criticism of "Bush's" justifications for war, as well as his hypocritical demonization of Saddam, for several minutes without realizing that Hicks is referring to George Herbert Walker Bush.)

I began this article by stating that Murray Rothbard was one of the most important thinkers of the twentieth century. Largely through the efforts of the Mises Institute, his work, of which the present collection is just a morsel, continues to reach ever wider audiences. Although it's much too soon to be confident, perhaps future writers will refer to Murray Rothbard as one of the most influential thinkers of the twenty-first century. ■

This article was drawn from the introduction to the new and expanded edition of Making Economic Sense by Murray N. Rothbard, which is available from the Mises Institute (mises.org/store).

News from the Institute

Tour the Mises Institute:

At Mises.org you can take a tour of our offices and library, in 360 degrees. This remarkable tool has helped people understand the great resources that are available at our offices in Auburn, Alabama (mises.org/virtualtour/). We welcome you to visit us in person also. ■

The Austrian Scholars Conference:

The Austrian Scholars Conference, March 16–18, was an enormous success. Scholarly papers on a huge range of topics were presented by faculty and students from around the world. How gratifying to see the scholarship of liberty proceeding at such a fast pace! Many of these papers will be submitted to journals, turned into books, or expanded as part of dissertations. Listen to keynote lectures at mises.org/media. ■

Audio books are coming!

Our podcasting service continues to grow, and we are now adding a new feature to our catalog offerings: audio books. The first book to become available is Lew Rockwell's *Speaking of Liberty*, which he is reading chapter by chapter for online broadcast. The book will become available in early 2007.

Jesús Huerta de Soto's treatise on money is a landmark in Rothbardian studies. The title is *Money, Bank Credit, and Economic Cycles*, newly published by the Mises Institute. Rothbard favored 100 percent reserve banking and gold standard. De Soto makes the strongest possible case for this position by a thorough investigation of Roman law and the legal history of the deposit contract. It is also the most extensive discussion of Austrian business cycle to ever appear in print.

The Libertarian Forum was Rothbard's powerful newsletter that ran from 1969–1984. It was there at the founding of the libertarian movement and guided it to its maturity. The Mises Institute will publish the entire run of issues in two volumes. ■

Harry Browne Scholarship

Thanks to a donor, we have the seed money for a scholarship fund in honor of Harry Browne. You can donate to this in his memory, as a means of preserving his legacy. ■

CHAMPIONS OF LIBERTY

Llewellyn H. Rockwell, Jr.

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We were saddened to hear of the death of Edmund Opitz this year. He was born in 1914, and was an intellectual innovator who sought to reconcile the love of liberty and the love of faith. His book on capitalism and religion had a formative influence on an entire generation of activists and writers. He was a kind gentleman, a writer, musician, and a devotee of the work of Albert Jay Nock. He was quiet and assuming in manner but radical in politics and economic outlook.

We were also struck by the death of Harry Browne (born 1933), author and long-time spokesman for libertarian causes. He was a man of great principle who courageously and consistently stood up for liberty even when his position clashed with mainstream political culture and public opinion.

He was a great writer who worked hard to turn a phrase in a way that would serve to educate people about free markets and the free society.

His book, *How You Can Profit From the Coming Devaluation*, which came out in 1970, was a blockbuster in its day. He foresaw what would result from Nixon's abandonment of the gold standard. In contrast to legions of mainstream economists, he knew from his reading of the Austrian economists such as Murray Rothbard that an inflationary period was on the horizon and that gold prices would not go down but up. Those who followed his advice did well indeed.

During the 1990s, he worked tirelessly for libertarian causes. He had never been a big enthusiast for the Libertarian Party but in 1996, he graciously threw his hat into the ring as an aspirant to its presidential nomination.

His book *Why Government Doesn't Work* is as good a campaign book as has appeared in the history of American elections.

He was exceptional as a public speaker during the campaigns. No matter whether the topic was taxes, education, states rights, war and foreign policy, or the drug war, he took the right position and explained it in a way that allowed anyone to see his point of view. He changed minds, and stuck to principle the whole time. Harry was not tempted to sell out his message for the sake of more votes. He didn't trim or compromise. His energies were spent trying to think of ways to make the core message more marketable and understandable.

In his last years, few writers have been as good as Harry on all aspects of the Bush administration. After 9-11, when others fell silent or acquiesced to regime priorities, he stuck his neck out and defended personal liberty against the surveillance state, less government against the homeland-security state, and peace against the war on terror.

As we look back on the history of the libertarian movement, and we think of those who have contributed mightily to making the idea of radical liberty more mainstream and popular, Harry Browne emerges as a giant. He was talented, dignified, sincere, and dedicated, and he showed genuine courage in the face of fantastic pressure to get him to cave in. All lovers of liberty should be grateful for him, his life, his writings, and his legacy. We will all miss you terribly, Harry. May you find the freedom in the next life for which you fought so hard in this. ■



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THOMAS DILORENZO, professor of economics at Loyola College in Maryland, is a senior faculty member of the Ludwig von Mises Institute. He has authored several books, including *The Real Lincoln: A New Look at Abraham Lincoln, His Agenda, and an Unnecessary War* and *How Capitalism Saved America: The Untold History of Our Country, From the Pilgrims to the Present*.

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