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The Economics of Freedom

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One of the unhappy casualties of World War I was the old-fashioned treatise on economic "principles." This was a work not too technical to be read by the intelligent layman, on the one hand, nor, on the other, like current textbooks, a choppy and oversimplified compilation of currently fashionable doctrine. One of the last of the species was Frank W. Taussig's *Principles of Economics*, first published in 1911. The spirit of that book was revealed in a passage from the preface:

"I have tried in this book to state the principles of economics in such form that they shall be comprehensible to an educated and intelligent person who has not before made any systematic study of the subject. Though designed in this sense for beginners, the book does not gloss over difficulties or avoid severe reasoning. No one can understand economic phenomena or prepare himself to deal with economic problems who is unwilling to follow trains of reasoning which call for sustained attention. I have done my best to be clear, and to state with care the grounds on which my conclusions rest, as well as the conclusions themselves, but have made no vain pretense of simplifying all things."

It is the announced purpose of Dr. Rothbard's *Man, Economy, and State* (two volumes running to a total of 1,000 pages) to write in this spirit and "to fill part of the enormous gap of forty years' time." And he has succeeded. He has given us a work in the tradition of Taussig, Wicksteed,

Man, Economy, and State: A Treatise on Economic Principles, by Murray N. Rothbard. Van Nostrand, \$20.00

Fetter, Knight and Mises, a comprehensive study of principles, which treats economics as a coherent edifice, not a fragmented study of "utility," "monopoly," "international trade," "labor," "agriculture," "public finance," and "linear programming." Such a unified edifice, as Rothbard explains, can be built only by treating economics as a deductive science using verbal logic. For "if economics proceeds by deductive logic grounded on a few simple and evident axioms, then the corpus of economics can be presented as an interrelated whole to the intelligent layman with no loss of ultimate rigor."

This was the method of the "Austrian" economists. It is the method of

Ludwig von Mises. In fact, Rothbard, a former student of Mises, frankly takes off from *Human Action*: "From now on, little constructive work can be done in economics unless it starts from *Human Action*. . . . In one sense, the present work attempts to isolate the economic, fill in the interstices, and spell out the detailed implications, as I see them, of the Misesian structure."

What contributions has Rothbard made to the structure? He indicates some of them in his own preface. His book begins by deducing the entire corpus of economics from a few simple "axioms": "the Fundamental Axiom of action—that men employ means to achieve ends"; that "there is a variety of human and natural resources," and that "leisure is a consumers' good." Rothbard is not afraid to be old-fashioned enough to begin with "Crusoe economics" before he takes up interpersonal relations, and barter before he takes up indirect exchange through money. One of the features of his consumption-and-production theory is "the resurrection

of Professor Frank A. Fetter's brilliant and completely neglected theory of rent—i.e., the concept of rent as the hire prices of a unit service. Capitalization then becomes the process of determining the present values of the expected future rents of a good. The Fetter-Mises pure time-preference theory of interest is synthesized with the Fetter rent theory [and] with the Austrian theory of the structure of production. . . . One 'radical' feature of our analysis of production is a complete break with the currently fashionable 'short-run' theory of the firm, substituting for this a general theory of marginal value productivity and capitalization. It is a 'general equilibrium' analysis in the dynamic Austrian, and not in the static, currently popular Walrasian sense." Rothbard also expounds "a completely new theory of monopoly—that monopoly can be meaningfully defined only as a grant of privilege by the state, and that a monopoly price can be attained only from such a grant. In short, there can be no monopoly price on a free market."

So far I have adhered to Rothbard's own summary. But I am not sure he has done full justice to his own contribution. For example, I do not recall any book (with the possible exception of the works of Mises, Fetter and Böhm-Bawerk) that gives so full a recognition to the inherent and omnipresent (but neglected) role of time, not merely in the explanation of interest, but in all economic activity. Rothbard constantly emphasizes time as an indispensable factor in all production, and as a necessary but "scarce" means to all our ends.

ON A SCORE of other major points, also, he contributes lucidity and light: his excellent description of the enormous benefits of a money economy over one of the direct exchange; his explanation of why a separate theory of "international" trade is unnecessary and why the "balance of payments problem" for a nation is no different from that for an individual; his rigorous exposition of a pure

time-preference theory of interest; his mordant exposure of labor union fallacies; his beautiful explanation of why the free market, far from being "anarchic" or "planless," is the only organization under which true economic balance and order are possible.

What does Rothbard's book give us that Mises' does not? The question can best be answered by a comparison. One mathematician does not necessarily differ from another when he explores other fields or other specific problems. The chief difference between Mises and Rothbard is that the latter, treating at much less length some of the basic problems that Mises has explored more thoroughly, devotes a much larger part of his work to the refutation of opposing doctrines: some as found in the older works, such as those of Henry George, Veblen, Marshall, Fisher, Schumpeter, and Knight; but more particularly those found in the literature of the last twenty-five years—in the Keynesians, in the "mathematical economists," in W. W. Rostow, in Galbraith.

It is in the controversial part of his work that Rothbard is most stimulating. With the statistical and mathematical economists he is unsparing. He points out the arbitrary and unscientific nature of all index numbers, as well as the emptiness or deceptiveness of the equations in which the mathematical economists deal: "In human action there are no quantitative constants. As a necessary corollary, all praxeological-economic laws are qualitative, not quantitative." His exposure of the chief Keynesian doctrines is thorough, and his criticism of Galbraith is devastating.

IN DISCUSSING a book of such importance, with so much in it to praise, and with an instructive challenge on nearly every page to some "orthodox" or "unorthodox" doctrine, it seems ungrateful to call attention to flaws. Yet in a structure of thought of which the foundations are so carefully laid, and in the midst of an otherwise brilliant and penetrating discussion, Rothbard will suddenly announce some extraordinary conclusion based on a fragment of abstract doctrinaire logic. Examples are his sharp contrast between copyrights and patents, and his implication that the former might well be granted in perpetuity and the latter not at all; his conclusion that repudiation of government

debt is no great evil; that it even has a "social utility," and the added advantage of making future government borrowing more difficult; his opinion that libel and slander ought not to be legalized, and that even blackmail "would not be illegal in the free society. For blackmail is the receipt of money in exchange for the service of not publicizing certain information about the other person. No violence or threat of violence to person or property is involved."

It is hard to explain these aberrations. They are in such sharp contrast to the rest of the book that they seem almost as if stuck in by another hand. But they are practically all in the legal and political, rather than in the economic, field. The nearest I can come to a rational explanation of them is to assume that when

Rothbard wanders out of the strictly economic realm, in which his scholarship is so rich and his reasoning so rigorous, he is misled by his epistemological doctrine of "extreme apriorism" into trying to substitute his own instant jurisprudence for the common law principles built up through generations of human experience.

I mention these lapses because I am certain that opponents of the book, and victims of his devastating refutations, trying to discredit so much that is brilliant and original and profound, will cite them with relish and with the implication that the rest of the book can be ignored. But it cannot be ignored. It is in fact the most important general treatise on economic principles since Ludwig von Mises' *Human Action* in 1949.

The Ex-Communist as Witness

NATHANIEL WEYL

FINANCED BY the Fund for the Republic and emanating from Stanford University, this book is primarily concerned, not with whether ex-Communist witnesses Chambers, Bentley,

Ex-Communist Witnesses: Four Studies in Fact Finding, by Herbert L. Packer. Stanford, \$4.95

Budenz and Lautner told the truth, but whether the investigative processes used were adapted to "eliciting a full development of the facts." The processes in question are trials (Hiss and Remington), congressional inquiries and administrative proceedings.

The question is a pertinent and significant one. Unfortunately, while Professor Packer has written a conscientious and, in certain areas, an intelligent book, he suffers from lack of understanding of the world of Communist conspiracy, imperceptivity concerning character and motivation, and a tend-

ency to dwell on minor detail, neglecting the historically significant.

The most important achievement of the four witnesses Packer discusses was to have sounded an alarm bell which awakened a sleeping nation to the fact that its government has been massively penetrated by agents of the Soviet conspiracy. Their testimony utterly destroyed the romanticized stereotype of the Communist as a heroic fighter for social justice, which had gained some acceptance during the Spanish struggle and in World War II. Their great achievement in mass education would have been impossible without the vehicle of the congressional committee which, by means of confrontation and conflict, transformed the battle to eradicate disloyalty into a sort of morality play. If Packer does not refer to this achievement, it is because he seemingly doubts that the conspiracy ever amounted to much or was particularly sinister. Writing in 1962, he asks whether the Com-

