Introduction

A constant theme echoes again and again throughout *The Logic of Action*. Murray Rothbard found it essential to separate the distinctive Austrian approach to economics from competing views, not least from counterfeit movements that have usurped the Austrian label. As readers will soon discover, Rothbard carried out his task with extraordinary power. Yet he was much more than one of the great polemicists of our century. As he defended Ludwig von Mises's praxeology, the science of human action, against all comers, he mapped out the conceptual geography of the field. In doing so, he made contributions to theory of unsurpassed excellence.

Rothbard's essential work of clarification gets going at once, in the initial part of Volume I, "Method." To Rothbard, economics is a strict science: as such, it must be purged of all that does not properly belong to it. In particular, ethical judgments do not form part of economic analysis. "[E]ven the tiniest bits of ethical judgments in economics are completely illegitimate" (p. 22). Rothbard held this view not because he thought ethics a matter of arbitrary whim. Quite the contrary, he calls himself in Chapter 4 an Aristotelian Neo-Thomist, and this school ardently champions natural law. But whatever the scientific status of ethics, economics is an independent discipline.

And the issue is in fact more than one of conceptual economy and elegance. Though ethics need not be capricious, many economists do in fact lack any rational basis for their ethical views. By importing their unsupported preferences into their work, they throw science overboard. "[I]t is the responsibility of any scientist, indeed any intellectual, to refrain from any value judgment whatever *unless* he can support it on the basis of a coherent and defensible ethical system" (Chapter 5, p. 82). To anticipate an objection, Rothbard knew full well that this very statement is a value judgment. Since the

statement can be coherently supported, to assert it entails no contradiction.

But how can the offending economists commit so gross a fallacy? Are they not aware that the ethical premises they use throw into question the standing of their work as scientific? Rothbard offers an answer in Chapter 10, one of his most brilliant essays. Conventional economists reasoned in this way: Ethical judgments are, admittedly, arbitrary. But surely there exist non-controversial judgments—truisms that everyone will accept. In particular, if a policy maximizes welfare, ought it not to be adopted?

But, as mainstream economists recognized, no solution lay here in sight. Comparisons of utility among different persons, it was nearly universally agreed, could not be made; how then could one determine whether a proposed measure did advance welfare beyond any available alternative? And was the goal of maximum welfare as uncontroversial as all that? Nearly every policy will make some better off, while harming others. Even if welfare could be measured, on what scientific basis can one say that the losers should give way to the winners?

Ever resourceful, the so-called new welfare economists thought they had discovered a solution. Suppose a policy made at least one person better off, while worsening no one. Could one not then endorse this policy without difficulty? A rule that no one can rationally controvert, the Pareto principle, offers a foothold for a scientific welfare economics.

But the conclusions of the new welfare economics, in line with the dominant interventionism of twentieth-century social science, brought little comfort to supporters of the free market. Market imperfections, stemming especially from positive and negative externalities, required the state constantly to intervene.

Rothbard will have none of this. In a veritable *tour de force*, he argues that the assumptions of welfare economics, if correctly interpreted, lend support to the free market. An economist, acting in his purely scientific capacity, can take account only of consumer preferences demonstrated in action. And if he abides by this restriction, he will of necessity condemn every governmental interference with voluntary trade.

Rothbard did not contend that he had offered a value-neutral defense of the market. Rather, he turned the weapons of the interventionists against themselves; in so doing, he showed how essential it is to be on the alert for ethical judgments assumed without argument. But to say that ethics must be separated from economics of course leaves open a major issue: what is the correct method of economics?

Rothbard's response emerges clearly in Chapter 3. Economics proceeds from simple, common-sense axioms, in particular the "axiom of action." From these, the theorems of economics follow by logic: as Mises liked to say, economics is an "apodictic" discipline. Contrary to the assumption of assorted hermeneuticians, praxeology does not require that economists bring abroad the excess baggage of Gadamer, Ricoeur, and other worthies. Far from being an innovation, praxeology develops the insights of Say and Senior. Its deductive method is the classical way of doing economics.

Praxeology must battle two principal adversaries. The first of these rightly takes economics to be a science, but has an overly constricted view of scientific method. To positivists, physics is the model science; and economics must ape that discipline's use of testable hypotheses. Rothbard condemns this approach as a "profoundly unscientific attempt to transfer uncritically the methodology of the physical sciences to the study of human action" (Chapter 1, p. 3). By seeking to press economics into the Procrustean bed of physics, as conceived of by positivists, the proponents of scientism ignore free will.

However dangerous scientism may be, its blandishments are unlikely to attract those sympathetic to Austrian economics. Rothbard issues a call to arms against a more immediate threat in Chapter 7. As everyone knows, Austrian value theory is subjective: Austrians explain prices through individual preferences and reject the Marxist labor theory of value and other such accounts. But some professed Austrians have gone too far. To them, everything is subjective and economics as a science dissolves. Following Ludwig Lachmann, they stress the radical uncertainty of the future. Austrian economics, as Rothbard carries it out, must not be equated with the endless repetition of the words "subjectivism" and "uncertainty."

Rothbard's keen sense of philosophical precision continues in the essays that form the third part of Volume I, "Money and Calculation." Rothbard, in Chapter 14, explains with crystal clarity the essentials of Mises's account of money. Monetary theory, for Mises and the Austrians, does not stand isolated from the rest of economics. Through the use of the regression theorem, Mises showed how money develops from barter. Money is properly a commodity, whose value, like that of any other commodity, is determined by the market.

In the course of his exposition, Rothbard states: "The Austrian theory of money virtually begins and ends with Ludwig von Mises's monumental *Theory of Money and Credit*, published in 1912" (p. 297). Here our author underestimates himself. Rothbard made major advances in monetary theory. In particular, he favored a broader definition than customary of the supply of money—money includes whatever is redeemable at par in standard money.

Rothbard's approach exemplifies his characteristic ingenuity. Given an account of standard money, Rothbard uses a recursive technique, familiar in logic, to extend the definition. Repeating a standard operation (redeemability at par) provides a step-by-step basis for the broader definition Rothbard favors.

Rothbard's insistence on conceptual precision contrasts with the pragmatic, "anything goes" position of the Chicago School. In Chapter 16 he castigates that group's "desire to avoid essential concepts" (p. 336). Unconcerned with what money is in itself, to the Chicagoites a mere philosophical quiddity, they call money whatever most closely correlates with national income. Such unconcern with clarity makes Rothbard recoil in horror.

As always with Rothbard, his pursuit of clarity in theory remains closely tied to practice. From a correct account of theory, various suggestions for monetary reform can at once be seen as fallacious. Thus, in Chapter 18 Rothbard objects to Hayek's call for denationalization of money. Hayek's call for a multitude of privately-issued monies ignores the implications of the regression theorem. Owing to the advantages of a common medium of exchange, barter leads to money: Hayek's proposal would reverse that evolution.

Again, Rothbard demolishes freely-fluctuating exchange rates with a simple conceptual point. As he notes in Chapter 17, a "free market in money," as proposed by Milton Friedman, is on a correct account of money senseless. Money, in the Austrian view, is a commodity: a specific amount of money, then, is a quantity of a commodity, usually (as names such as "pound" suggest) measured by weight. The content of the monetary unit is no more a matter for negotiation on the market than is, say, the length of a foot.

In the Austrian view, a correct understanding of the role of money leads to the conclusion that a worldwide socialist economy is, like a pagan idol, "a thing of nought." A complex modern economy faces a crucial task: how are means of production to be allocated in the most efficient way among competing uses? To answer this question, as Mises pointed out in a classic article, a common unit of calculation is necessary. Economic actors must be able to reduce the heterogeneous resources at their command to a single measure: otherwise, how can they know, for example, whether using platinum to build a bridge is efficient? It is precisely through the price system that the market responds to this challenge: since all goods and services have market prices, the common measure lies at hand. Socialism, Mises and Rothbard contend, cannot conjure up an equivalent mechanism.

Rothbard explains the calculation argument with unequalled clarity and force in Chapter 21. As he notes, against Hayek and Kirzner, "the central problem [of socialism] is not 'knowledge'" (p. 426). No doubt, as Hayek emphasized, there is a knowledge problem under socialism: a central planning agency cannot amass the incredibly complex information needed to run a modern economy. But, to reiterate, the key problem is not, how do you obtain knowledge? Rather, it is what do you do with the knowledge, once you have it? And here calculation, and with it the market, plays its indispensable role.

Rothbard adds a vital clarification in Chapter 20. Economic calculation requires a multiplicity of actors and firms. No price system can exist if the economy must bow to the dictates of a central agency. The calculation problem for socialism, then, arises not primarily because in that system the government runs the economy. An

exactly parallel problem would ensue if One Big Cartel of private firms abolished competitive pricing (p. 407).

And in Chapter 19, Rothbard appends an amusing footnote to the calculation debate. The most famous socialist opponent of Mises and Hayek was the Polish economist Oskar Lange. Yet toward the end of his life, Lange, though unwavering in his commitment to socialism, wound up as a champion of praxeology. In an effort to separate his views from those of his great antagonist Mises, Lange endeavored to combine praxeology with Marxism—surely an unstable compound.

The reader of "Applications and Criticism," Volume II of *The Logic of Action*, will carry away an overwhelming impression of the variety of topics in which Rothbard was interested; and only a few essays can be singled out here for mention. Just as in the first volume, Rothbard's insistence on conceptual clarity is everywhere to the fore.

In Volume II, Chapter 7, he demolishes John Kenneth Galbraith's polemic against capitalism with a single question that strikes to the jugular. Galbraith endeavored to counter the customary argument that capitalism best serves the needs of consumers. No doubt, Galbraith conceded, a free market provides an abundance of goods—but is this just the problem? These goods do not meet the genuine needs of consumers, but desires for them are whipped up artificially through advertising. Rothbard inquires, "Is everything above subsistence 'artificial'?" (p. 179).

So much for Galbraith. In Volume II, Chapter 4, Rothbard uses his analytical tools to lend clarity to an issue of dominant concern. The essential point about taxation, Rothbard again and again stresses, is that it is coercive: it is a compulsory exaction of resources from the productive sectors of the economy. Many economists view taxation as if it were a voluntary agreement for the provision of so-called "public goods." Reverting to a point raised in the first volume, Rothbard refuses to countenance in economics alleged preferences not expressed on the free market. Genuinely voluntary action, not the counterfeit of voluntary taxation, can provide for defense and justice.

He extends his criticism of voluntary taxation to the influential public choice school in Volume II, Chapter 17. In support of these authors' odd view that looks upon the state as a club, they appeal to unanimous action. If everyone agrees to be taxed, is not the enforcement of this agreement in accord with popular will? Rothbard unerringly locates the fallacy of this contention. Buchanan and Tullock in fact retreat from complete unanimity in their constitutional requirements, owing to transactions costs. If so, they cannot rightly appeal to that very unanimity in their attempt to turn coercion into freedom by the *Calculus of Consent*. And Rothbard located this crucial fallacy before it was published!

For Rothbard, the analysis of taxation has more than purely theoretical importance. Firmly committed to freedom, he of course combatted its primary violation. In Volume II, Chapter 5, he maintained that it is inaccurate to refer to tax "loopholes." A "loophole assumes all property belongs to government" (p. 116). People are accused of using trickery to evade payment, when they in fact are attempting to defend what belongs to them. And in a comment of considerable contemporary relevance, Rothbard notes: "The flat tax would impose an enormous amount of harm and damage on every American homeowner" (p. 110).

Perhaps the clearest proof in the volume of Rothbard's analytical genius occurs in Volume II, Chapter 12. As is well known, Schumpeter had a peculiar conception of the entrepreneur. He viewed the great entrepreneurs as virtual forces of nature, exempt from explanation by theory. Rothbard shows how Schumpeter's economics forced him to this view. He "denied the role of time in production altogether" (p. 225) and operated with static equations. There was no room for innovation in his unchanging Walrasian prison house; he could deal with radical change only by a total exit from his system. Though a firm defender of deductive method, Rothbard knew very well that a theory must be true to the facts; and his brilliant analysis of the way in which Schumpeter's conceptual toolkit led him astray is a classic contribution to the history of economics.

As readers of his monumental *An Austrian Perspective on the History of Economic Thought* will know, Rothbard was a consummate master of the development of doctrine. He was an exceptionally

profound analyst of that incubus on the history of our century, Marxism. In two essays, the first and last of the present volume, he illuminates, and not incidentally devastates, that system. Beginning with Marx's juvenile *1844 Manuscripts*, Marxists have prated endlessly about the supposed horrors of the division of labor. In a capitalist economy, workers normally have only one specialty: plumbers, for example, are usually not doctors as well. (Nor would they wish to become doctors, since this would entail a loss of income.) Does not this specialization ensure that people in a capitalist economy are narrow and stunted? Those enchained by capitalism cannot say, with Terence, "Nothing human is alien to me." But socialism will change all that. In the millennium to come, everyone will be able freely to pursue a wide variety of careers: "the free development of each will be the condition for the free development of all."

In Volume II, Chapter 1, Rothbard does not hesitate to call nonsense by its name. The very phenomenon that Marx deplores, the division of labor, is the condition of all civilized advance. Absent the division of labor, with its attendant specialization, we would not inhabit the utopia limned in the *Manifesto* and the *Critique of the Gotha Programme*; we would instead quickly descend into barbarism.

But why did Marx fail to see this? He, like others in the nineteenth century, was in the grip of a Romantic myth. More generally, as Rothbard makes clear in Volume II, Chapter 22, Marx's entire thought is permeated by a perverse theology. Like Eric Voegelin, but with great good humor, Rothbard shows how essential Marxist concepts stem from Hegel's philosophy, itself a bastardized product of Christian heresy. (Cyril O'Regan's *The Heterodox Hegel* is illuminating in this regard.) Far from being a scientific system, Marxism is the ideology of a bizarre cult, on a par with the insanities of Müntzer and Bockelson in the Reformation, hilariously discussed in this essay.

No introduction can do justice to the vast range and insight of Rothbard's work. Anyone who completes these two volumes will have an indelible impression of Rothbard's greatness.

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