

The

FREEMarket

PUBLISHED 12 TIMES PER YEAR BY THE LUDWIG VON MISES INSTITUTE

Mises.org on iTunes U

B.K. Marcus

B.K. Marcus is managing editor of Mises.org (bkmarcus@mises.com).

The Mises Institute is pleased to announce the multimedia content on Mises.org—thousands of hours of audio and video—is now available through iTunes U, a dedicated section within the iTunes Store (www.itunes.com).

iTunes U carries lectures from top academic minds on every topic, freely available, elegantly organized, and beautifully presented. Users enjoy easy access to material ranging from ancient-language studies to particle physics.

All the rich-media content of Mises.org is now on iTunes U, alongside content from universities like MIT, Duke, Stanford, Cambridge, Princeton, and many museums and other major cultural institutions. We are seeing the future of education: straight from great minds to individual users around the world.

With iTunes U, the entire body of scholarship accumulated in the minicivilization of Mises.org can enjoy the widest possible distribution. We are on the cutting edge of user-friendly educational technology.

As more and more colleges experience digital media, many prestigious institutions have come to realize that universal distribution of their content is not a threat to their mission; it is the very fulfillment of the educational ideal. This is certainly the case with the Mises Institute, which is why the site has been made completely open source and completely free.

For me personally, the ever-growing audio archive was the gateway into the vast wealth of Mises.org. I discovered the Austrian School almost a decade ago through Jeff Riggenbach's reading of *Economics in One Lesson* by Henry Hazlitt. When I finished that audiobook, I wanted more.

I found what I was looking for at Mises Media and filled my iPod and my driving time with economics and history. Over the years, hundreds of appreciative emails and blog comments from fellow Mises.org listeners have let me know that I am among a vast multitude of Austro-libertarian audiophiles.

In the late Middle Ages, when the discipline of economics was just being formed within the monasteries, it could only be taught to a small elite, protected from the world by hallowed and forbidding walls. This scarcity was never so much a policy as a limitation imposed by the state of technology. The teachers themselves could not even dream of making the whole world their classroom.



Economists like Carl Menger, F.A. Hayek, and Ludwig von Mises were devoted to getting their ideas out. They accepted as many travel invitations as possible in the hope of reaching new audiences. Mises himself was particularly aware of the need to teach outside the academy. Rothbard's own desire to reach the multitudes—by writing for every possible venue—left us with an immense literary legacy.

Mises.org has taken the output of these great scholars and translated it into digital media. Their seminars and speeches over the decades occurred in classrooms and lecture halls, but with digital media they now make the globe their lecture hall—and anyone can be their student.

Our tradition also includes powerful teachers like Robert LeFevre, who lectured tirelessly through the 1960s. His lectures were preserved on tape and have been hosted on Mises.org for several years. Now these same lectures are made available on iTunes U next to those of Ivy League professors (many of whom teach the opposite point of view).

When LeFevre established his Freedom School in Colorado, he could only teach those who made their way to the mountain resort he founded.

To quote Wikipedia, “these commentaries have made their mark in the history of libertarian ideas for their clarity, eloquence, and pedagogical value. Drawing on great thought from all ages, and specifically influenced by Rothbardian political economy, Robert

LeFevre asks and answers fundamental questions about the relationship between man, property, society, and the state.”

LeFevre died in 1986 without any knowledge that his lectures would someday become part of the global commons. But today, thanks to the Mises Institute's work with iTunes, a quick search brings up 50 full lectures that can be downloaded to an iPod for listening anywhere, anytime.

Murray Rothbard died in 1995, just as web browsers were hitting the mainstream. He might not have imagined this possibility of global, instant distribution. But anyone who has listened to the hundreds of hours of audio on Mises.org can know for sure that Rothbard would be shouting for joy.

A quarter of a century earlier, he had taught economics in a dingy classroom at New York Polytechnic, with perhaps 20 people present—many of whom were not even taking the class for credit—but one of them had a tape recorder. Despite the absence of a prestigious venue and promising students, Rothbard lectured with passion and rigor.

Today anyone in the world can take that entire course, taught by Rothbard himself. This is not something he would have expected, but you can tell in his voice and manner that he knew these ideas could and would take flight in some way in the future.

This only scratches the surface of the thousands of hours that are available. You can listen to the recently recorded

Copyright © 2010 by the Ludwig von Mises Institute, Creative Commons 3.0. ISSN: 1051-4333.

Editor: Jeffrey A. Tucker

Contributing editors: Thomas J. DiLorenzo, Jeffrey M. Herbener, Robert Higgs, Mark Thornton

Publisher: Douglas E. French

The Free Market is published 12 times a year.

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

Ludwig von Mises Institute, 518 West Magnolia Avenue, Auburn, Alabama 36832-4501

Phone: 334.321.2100; Fax: 334.321.2119; Email: info@mises.org; Web: mises.org

Human Action or dozens of other audiobooks, as well as to lectures and presentations from nearly a decade of Mises University, the Austrian Scholars Conference, annual Supporters Summits, and Mises Circle events around the country. And Mises Institute staff and volunteers are adding to the archive every day: the current record for daily uploads is 70 lectures in eight hours.

Achieving this result was a long and labor-intensive process—even leaving aside the centuries of intellectual work during which the ideas germinated. Chad Parish, our director of media, and David Veksler, our webmaster, have

been going nonstop since last October to prepare this debut.

But it has been a labor of love for all of us, including Doug French, president of the Mises Institute, who has encouraged and supported this venture, considering it essential to the future of liberty. With this effort, we have joined the highest ideals with the most advanced technology.

In every institution's history, there are certain events that it can point to and call its landmarks. This is one of them. From the whole of the Mises staff to all our members and donors—thank you for supporting this project. ■ FM

Illusions in the Age of Keynes

Douglas E. French

Douglas E. French is president of the Mises Institute (French@mises.com).

A year ago George Melloan wrote in the *Wall Street Journal*, “We’re all Keynesians Again.”

Last January—change was on its way. We had a new rock-star president and he was going to get us out of the mess that Wall Street had gotten us into.

“Now is the time to jump-start job creation, restart lending, and invest in areas like energy, health care, and education that will grow our economy, even as we make hard choices to bring our deficit down,” President Obama told Congress.

The new president has a worldview that is “all but in name Keynesian,” Carl Horowitz wrote last spring. Meanwhile the guy running the Federal Reserve was an “expert” on the Great Depression. Ben Bernanke wasn’t going to make the same mistakes the policy makers made during the 1930s. After

all, he pointed out back in 2002 when he was just a Fed governor, “the US government has a technology, called a printing press (or, today, its electronic equivalent), that allows it to produce as many US dollars as it wishes at essentially no cost.”

And the new guy at the Treasury, well he used to run the New York Fed; he worked for Kissinger Associates, the Council on Foreign Relations, and the International Monetary Fund—so Washington figured he knew how to fix the economy. The Treasury secretary is so in touch with the market that he and his wife tried to sell their \$1.6 million home in 2009 for more than they paid for it in 2004. They have been unsuccessful and forced to rent the place out.

Failure after spectacular failure, Washington continues to have faith in government expenditures correcting the

downturns of private investment. And the financial press has bought into the scam, evidenced by *Time* voting the Fed chairman “Man of the Year.” “He didn’t just reshape US monetary policy,” *Time*’s Michael Grunwald gushes, “he led an effort to save the world economy.”

“The Greatest Depression that could so easily have happened in 2009 but did not is the tribute that the world owes to economics,” wrote Arvind Subramanian in *The Financial Times*.

Martin Wolfe wrote at the end of last year, “We could not, in such times, even take the survival of civilisation itself for granted. Never before had I felt more strongly the force of John Maynard Keynes’s toast ‘to the economists—who are the trustees, not of civilisation, but of the possibility of civilisation’.”

So what kind of Keynesian world are Bernanke and the other wise ones in Washington shaping for us? Keynesians see a depression as a lack of aggregate demand—as opposed to Austrians who know a depression is the required cleansing of the malinvestments created by the preceding boom of the government’s making. Policy makers, following the Keynesian playbook, enact policies to stimulate aggregate demand and offset the fall in private investment.

On the fiscal-policy side, Keynesians advocate higher government spending. On the monetary side, they insist on lowering interest rates to zero if necessary.

The world has recent experience with attempts at resuscitating a bubble economy. The Bank of Japan cut interest rates six times between 1986 and early 1987 and all that new money caused the Japanese economy to bubble over.

The prolonged period of low interest rates created one of the largest domestic bubbles in the world. For a brief moment in 1990, the Japanese

stock market was bigger than the US market. The Nikkei-225 reached a peak of 38,916 in December of 1989 with a price-earnings ratio of around 80 times.

At the bubble’s height, the capitalized value of the Tokyo Stock Exchange stood at 42 percent of the entire world’s stock-market value and Japanese real estate accounted for half the value of all land on earth, while only representing less than 3 percent of the total area.

In 1989 all of Japan’s real estate was valued at US\$24 trillion which was four times the value of all real estate in the United States, despite Japan’s having less than half the population and 60 percent of US GDP.

After the bubble popped in Japan, that government pursued a relentless Keynesian course of fiscal pump priming and loose fiscal policy with the result being a Japan that went from having the healthiest fiscal position of any OECD country in 1990 to annual deficits of 6 to 7 percent of GDP and a gross public debt that is now 227 percent of GDP.

Between 1992 and 1995, the Japanese government tried six stimulus plans totaling ¥65.5 trillion and they even cut tax rates in 1994. They tried cutting taxes again in 1998, but government spending was never cut. Also in 1998, another stimulus package of ¥16.7 trillion was rolled out nearly half of which was for public-works projects.

Later in the same year, another stimulus package was announced, totaling ¥23.9 trillion. The very next year an ¥18 trillion stimulus was tried, and, in October of 2000, another stimulus for 11 trillion was announced. As economist Ben Powell points out, “Overall during the 1990s, Japan tried 10 fiscal stimulus packages totaling more than ¥100 trillion, and each failed to cure the recession,” with Japan’s nominal GDP growth rate below zero for most of the five years after 1997.

After five years in an economic wilderness, the Bank of Japan switched, during the spring of 2001, to a policy of quantitative easing—targeting the growth of the money supply instead of nominal interest rates—in order to engineer a rebound in demand growth.

The move by the Bank of Japan to quantitative easing and the large increase in liquidity that followed stopped the fall in land prices by 2003. The Bank of Japan held interest rates at zero until early 2007, when it boosted its discount rate back to 0.5 percent in two steps by mid-year. But the BoJ quickly reverted back to its zero interest rate policy.

In August of 2008, the Japanese government unveiled an ¥11.5 trillion stimulus. The package, which included ¥1.8 trillion in new spending and nearly ¥10 trillion in government loans and credit guarantees, was in response to news that the Japanese economy in July suffered its biggest contraction in seven years and inflation had topped 2 percent for the first time in a decade.

Just this past April, the Japanese government announced another ¥10 trillion stimulus program. This was after Japan's economy shrank by a record 15.2 percent annual rate in the first quarter of 2009. This drop was on the heels of a 14.4 percent drop in the fourth quarter of 2008.

The results? Keynesians are wont to grade on a curve. Nobel laureate and *New York Times* columnist Paul Krugman, for one, points to Japan's fiscal stimulus packages as having "probably prevented a weak economy from plunging into an actual depression."

Keynesians want to stimulate the economy by pouring taxpayer and inflated money into pet projects. How they would spend their stimulus money is different than, say, how Tiger Woods would spend his stimulus money. And you may have noticed that energy, health care, education, infrastructure, and environmental technology are where

Keynesians want stimulus money spent, whether they are American Keynesians or the Japanese variety.

This policy is equivalent to the old Keynesian depression nostrum of paying people to dig holes and fill them. Neither policy will revive the economy because neither forces businesses to realign their structures of production to match consumer demands.

Murray Rothbard explained in *America's Great Depression* that in an economic downturn the positive thing that government can do is "drastically lower its relative role in the economy, slashing its own expenditures and taxes, particularly taxes that interfere with saving and investment." The reduction of the tax-and-spend level will automatically increase saving and investment, "thus greatly lowering the time required for returning to a prosperous economy."

Instead of the government expanding its size and reach, propping up failed businesses, lowering interest rates to zero, printing money, and attempting to dictate which sectors of the economy thrive and which fall by the wayside, "the proper governmental policy in a depression is strict *laissez-faire*, including stringent budget-slashing and coupled perhaps with a positive encouragement for credit contraction."

"There is no means of avoiding the final collapse of a boom brought about by credit expansion," Ludwig von Mises wrote. "The alternative is only whether the crisis should come sooner as the result of a voluntary abandonment of further credit expansion, or later as a final and total catastrophe of the currency system involved."

Washington's Keynesians say, "yes we can" stimulate the economy. But prosperity can't be printed. Government edicts won't magically make us better off. Their fatal conceit will only lead us to disaster. ■ FM

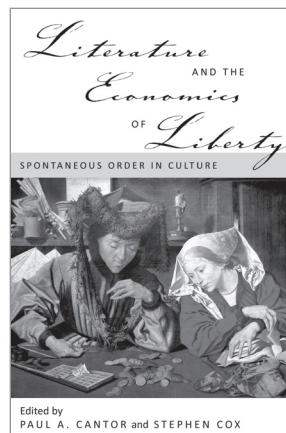
Literature and the Economics of Liberty

PAUL A. CANTOR and STEPHEN COX

The economic interpretation of literature is dominated by ideas derived from Marxism—ideas that demonize the market as the enemy of all that is good.

This book, edited by well-known literary critics Paul Cantor (University of Virginia) and Stephen Cox (University of California, San Diego) turns the prevailing paradigm upside down—criticism (and a theory of criticism) from a pro-market point of view.

The appearance of this work, many years in the making, is a major publishing event for the Mises Institute. It means the expansion of a theoretical paradigm into a new, exciting area. Professor Cantor was a student of Ludwig von Mises before turning his attention to literature, and Professor Cox is editor of *Liberty*, a monthly periodical on libertarian ideas. This treatise combines their academic specializations with their love of liberty to provide a new way of looking at literature.



Available at Mises.org/store • Our price: \$20.00

The Mises Circle in Phoenix, Arizona

SPONSORED BY JAMES M. RODNEY

Inflationary Path to Despotism

April 10, 2010 • Hilton Phoenix Airport

Speakers:

Thomas DiLorenzo, Douglas French,
Charles Goyette, Robert Murphy, and Jeffrey Tucker

For more information see mises.org/events or call 800.636.4737.

Coming Events

AT THE MISES INSTITUTE

Register for any conference online at mises.org or by phone at 800-636-4737.

- AUSTRIAN SCHOLARS CONFERENCE
March 11–13, 2010 • Auburn, Alabama
- THE MISES CIRCLE IN ARIZONA — Sponsored by James M. Rodney
April 10, 2010 • Phoenix, Arizona
- ECONOMICS FOR HIGH SCHOOL STUDENTS
April 30, 2010 • Auburn, Alabama
- ROTHBARD GRADUATE SEMINAR
June 6–11, 2010 • Auburn, Alabama
- MISES UNIVERSITY
July 25–31, 2010 • Auburn, Alabama
- MISES UNIVERSITY ALUMNI REUNION
July 31, 2010 • Auburn, Alabama
- THE MISES CIRCLE IN COLORADO — Sponsored by Pike's Peak Economics Club
September 18, 2010 • Colorado Springs, Colorado
- SUPPORTERS SUMMIT AND SCHLARBAUM AWARD TO JIM ROGERS
October 8–9, 2010 • Auburn, Alabama
- ECONOMICS FOR HIGH SCHOOL STUDENTS — Sponsored by Jeremy S. Davis
November 19, 2010 • Auburn, Alabama

Register now!

Over the course of three days, the Austrian Scholars Conference offers 80-plus presentations on economics, history, philosophy, and the humanities, in addition to named lectures by the leaders in the field. For further information see mises.org/events.

ASC

Austrian Scholars Conference

2010

March 11–13 • Auburn, AL

The **FREE**Market

Ludwig von Mises Institute
518 West Magnolia Avenue
Auburn, Alabama 36832-4501

Join us!

- THE MISES CIRCLE IN ARIZONA — Sponsored by James M. Rodney
April 10, 2010 • Phoenix, Arizona
- ECONOMICS FOR HIGH SCHOOL STUDENTS
April 30, 2010 • Auburn, Alabama

Nonprofit Org.
U.S. Postage
PAID
Ludwig von Mises Institute

ADDRESS SERVICE REQUESTED