

The Free Market

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The Story of the Mises Institute

by Murray N. Rothbard

Now in the midst of its sixth year, the Mises Institute is expanding and flourishing as never before. Its scholarly *Review of Austrian Economics*, a high-level journal in the theory and applications of Austrian economics, is also the only journal in the field. Its quarterly *Austrian Economics Newsletter* brings articles, news, and comments about Austrian scholarship. Its monthly magazine, *The Free Market*, provides incisive and principled commentary on the world of economics and economic policy from an Austrian perspective. In addition, timely issued papers on economic policy are distributed from the Institute's Washington, D.C., office.

Furthermore, the Mises Institute—under the aegis of its O.P. Alford III Center for Advanced Study in Austrian Economics—now has three university centers: its academic headquarters at Auburn University, where MA and PhD degrees in economics are being granted; the Lawrence Fertig Student Center near George Mason University; and a new center at the University of Nevada, Las Vegas, where there are three Austrian-oriented professors in the economics department, and where an MA in economic theory and policy, with a concentration in Austrian economics, is becoming available. The Mises Institute also provides graduate fellowships, both resident in the three centers, and non-resident, to promising young graduate students throughout the country, as well as a limited number of undergraduate fellowships.

The Institute's comprehensive program in Austrian education also includes publishing and distributing working papers, books, and monographs, original and reprinted, and holding conferences on a variety of important economic topics, and later publishing the conference papers in book form.

Conference and publication programs already completed

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Ludwig von Mises photographed by his wife, Margit.

How the Market Creates Jobs and How the Government Destroys Them

by Walter Block

The Creation of Jobs

If the media tell us that "the opening of XYZ mill has created 1,000 new jobs," we give a cheer. When the ABC company closes and 500 jobs are lost, we're sad. The politician who can provide subsidy to save ABC is almost assured of widespread public support for his work in preserving jobs.

But jobs in and of themselves do not guarantee well-being. Suppose that the employment is to dig huge holes and fill them up again? What if the workers manufacture goods and services that no one wants to purchase? In the Soviet Union, which boasts of giving every worker a job, many jobs are just this unproductive. Production is everything, and jobs are nothing but a means toward that end.

Imagine the Swiss Family Robinson marooned on a deserted South Sea island. Do they need jobs? No, they need food, clothing, shelter, and protection from wild animals. Every job created is a deduction from the limited, precious labor available. Work must be rationed, not created, so that the market can create the most product possible out of the limited supply of labor, capital goods, and natural resources.

The same is true for our society. The supply of labor is limited. We must not allow government to create jobs or we lose the goods and services which otherwise would have come into being. We must reserve precious labor for the important tasks still left undone.

Alternatively, imagine a world where radios, pizzas, jogging shoes, and everything else we might want continuously rained down like manna from heaven. Would we want jobs in such a utopia? No, we could devote ourselves to other tasks—studying, basking in the sun, etc.—that we would undertake for their intrinsic pleasure.

Instead of praising jobs for their own sake, we should ask

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or under way are works on the gold standard, taxation, the Federal Reserve, and on Ludwig von Mises, Karl Marx, and John Maynard Keynes. Last but emphatically not least, in the wake of 1987's phenomenally successful week-long summer conference at Stanford University, the Institute plans two such week-long seminars this summer: one in Austrian economics at the graduate level, and another elementary Austrian economics conference, geared for bright and eager undergraduates.

The basic point of this glittering spectrum of activities is twofold: to advance the discipline—the expanding, integrated body of truth that is Austrian economics—and to build a flourishing movement of Austrian economists. No science, no discipline, develops in thin air, in the abstract; it must be nurtured and advanced by *people*, by individual men and women who talk to each other, write to and for each other, interact and help build the body of Austrian economics and the people who sustain it.

Already, though only in its third year of publication, the *Review of Austrian Economics* is beginning to play a crucial role in this task. This journal, of course, serves to expand and develop the truths of Austrian economics. But it *also* nurtures young and older Austrians, encourages new, young Austrians to read and write for the journal, and finds mature Austrians heretofore isolated and scattered in often lonely academic outposts, but who are now stimulated to write and submit articles. These men and women now know that they are *not* isolated, that they are part of a large and growing nationwide and even international movement. Any of us who remember what it was like to find even *one* other person who agreed with our seemingly eccentric views in favor of freedom and the free market will appreciate what I mean,

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why employment is so important. The answer is, because we exist amidst economic scarcity and must work to live and prosper. That's why we should be of good cheer *only* when we learn that this employment will produce things people actually value, i.e., are willing to buy with their own hard-earned money. And this is something that can only be done in the free market, not by bureaucrats and politicians.

Destruction of Jobs

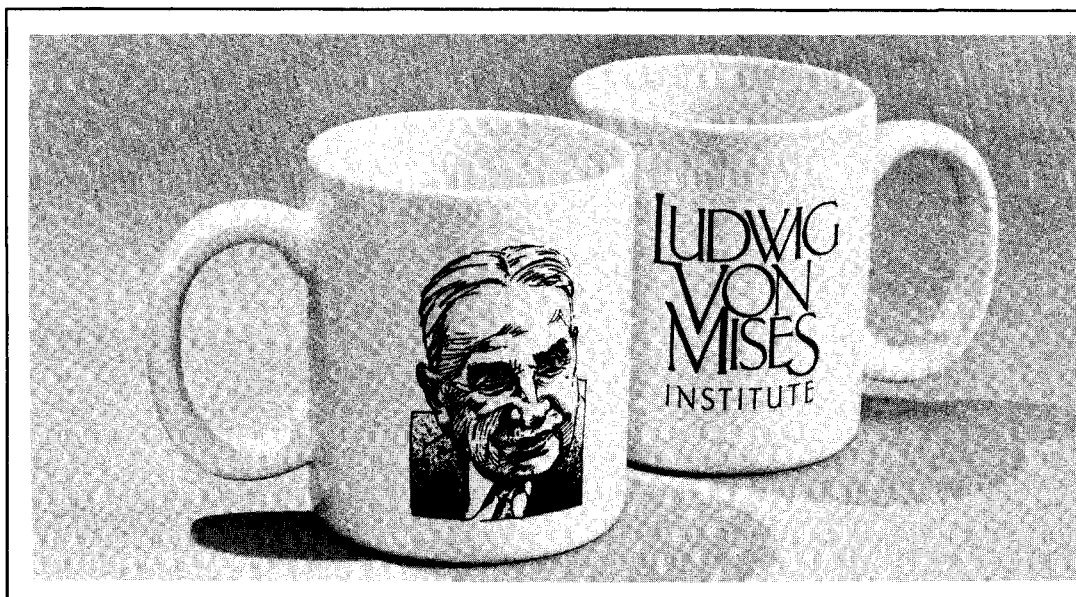
But what about unemployment? What if people want to work, but can't get a job? In almost every case, government programs are the cause of joblessness.

Minimum Wage. The minimum wage mandates that wages be set at a government-determined level. To explain why this is harmful, we can use an analogy from biology: there are certain animals that are weak compared to others. For example, the porcupine is defenseless except for its quills, the deer vulnerable except for its speed.

In economics there are also people who are relatively weak. The disabled, the young, minorities, the untrained—all are weak economic actors. But like the weak animals in biology, they have a compensating advantage: the ability to work for lower wages. When the government takes this ability away from them by forcing up pay scales, it is as if the porcupine were shorn of its quills. The result is unemployment, which creates desperate loneliness, isolation, and dependency.

Consider a young, uneducated, unskilled person, whose productivity is \$2.50 an hour in the marketplace. What if the legislature passes a law requiring that he be paid \$5 per hour? The employer hiring him would lose \$2.50 an hour.

Consider a man and a woman each with a productivity of



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\$10 per hour, and suppose, because of discrimination or whatever, that the man is paid \$10 per hour and the woman is paid \$8 per hour. It is as if the woman had a little sign on her forehead saying, "Hire me and earn an extra \$2 an hour." This makes her a desirable employee even for a sexist boss. But when an equal-pay law stipulates that she must be paid the same as the man, the employer can indulge his discriminatory tendencies and not hire her at all, at no cost to himself.

Comparable Worth. What if government gets the bright idea that nurses and truck drivers ought to be paid the same wage because their occupations are of "intrinsically" equal value? It orders that nurses' wages be raised to the same level, which creates unemployment for women.

Working Conditions. Laws which force employers to provide certain types of working conditions also create unemployment. For example, migrant fruit and vegetables pickers must have hot and cold running water and modern toilets in the temporary cabins provided for them. This is economically equivalent to wage laws because, from the point of view of the employer, working conditions are almost indistinguishable from money wages. And if the government forces him to pay more, he will have to hire fewer people.

Unions. When the government forces businesses to hire only union workers, it discriminates against non-union workers, causing them to be at a severe disadvantage or permanently unemployed. Unions exist primarily to keep out competition. They are a State-protected cartel like any other.

Employment Protection. Employment protection laws, which mandate that no one can be fired without due process, are supposed to protect employees. However, if the government tells the employer that he must keep the employee no matter what, he will tend not to hire him in the first place. This law, which appears to help workers, instead keeps them from employment. And so do employment taxes and payroll taxes, which increase costs to businesses and discourage them from hiring more workers.

Payroll Taxes. Payroll taxes like Social Security impose heavy monetary and administrative costs on businesses, drastically increasing the marginal cost of hiring new employees.

Unemployment Insurance. Government unemployment insurance and welfare cause unemployment by subsidizing idleness. When a certain behavior is subsidized—in this case not working—we get more of it.

Licensing. Regulations and licensing also cause unemployment. Most people know that doctors and lawyers must have licenses. But few know that ferret breeders, falconers, and strawberry growers must also have them. In fact, government regulates over 1,000 occupations in all 50 states. A woman in Florida who ran a soup kitchen for the poor out of her home was recently shut down as an unlicensed restaurant, and

many poor people now go hungry as a result.

When the government passes a law saying certain jobs cannot be undertaken without a license, it erects a legal barrier to entry. Why should it be illegal for anyone to try their hand at haircutting? The market will supply all the information consumers need.

When the government bestows legal status on a profession and passes a law against competitors, it creates unemployment. For example, who lobbies for the laws which prevent just anyone from giving a haircut? The haircutting industry—not to protect the consumer from bad haircuts, but to protect themselves against competition.

Peddling. Laws against street peddlers prevent people from selling food and products to people who want them. In cities like New York and Washington, D.C., the most vociferous supporters of anti-peddling laws are established restaurants and department stores.

Child Labor. There are many jobs that require little training—such as mowing lawns—which are perfect for young people who want to earn some money. In addition to the earnings, working also teaches young people what a job is, how to handle money, and how to save and maybe even invest. But in most places, the government discriminates against teenagers and prevents them from participating in the free enterprise system. Kids can't even have a street-corner lemonade stand.

The Federal Reserve. By bringing about the business cycle, Federal Reserve money creation causes unemployment. Inflation not only raises prices, it also misallocates labor. During the boom phase of the trade cycle, businesses hire new workers, many of whom are pulled from other lines of work by the higher wages. The Fed subsidy to these capital industries lasts only until the bust. Workers are then laid off and displaced.

The Free Market. The free market, of course, does not mean utopia. We live in a world of differing intelligence and skills, of changing market preferences, and of imperfect information, which can lead to temporary, market-generated unemployment, which Mises called "catallactic." And some people choose unemployment by holding out for a higher paying job. But as a society, we can insure that everyone who wants to work has a chance to do so by repealing minimum wage law, comparable worth rules, working condition laws, compulsory union membership, employment protection, employment taxes, payroll taxes, government unemployment insurance, welfare, regulations, licensing, anti-peddling laws, child-labor laws, and government money creation. The path to jobs that matter is the free market. ■

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Ronald Reagan: Protectionist

by Sheldon L. Richman

Mark Shields, a columnist for *The Washington Post*, recently wrote of President Reagan's "blind devotion to the doctrine of free trade." If President Reagan has a devotion to free trade, it must be blind because he has been way off the mark. In fact, he has been the most protectionist president since Herbert Hoover.

Admittedly, his rhetoric has been confusing. In 1986 Reagan said, "Our trade policy rests firmly on the foundation of free and open markets. I recognize...the inescapable conclusion that all of history has taught: the freer the flow of world trade, the stronger the tides of human progress and peace among nations."

But he advocated protectionism early in his 1980 campaign, saying to the U.S. auto industry: "Japan is part of the problem. This is where government can be legitimately involved. That is, to convince the Japanese in one way or another that, in their own interests, that deluge of cars must be slowed while our industry gets back on its feet..."

When he imposed a 100% tariff on selected Japanese electronic products for allegedly "dumping" computer memory chips, he said he did it "to enforce the principles of free and fair trade." And Treasury Secretary James A. Baker has boasted about the protectionist record: Reagan "has granted more import relief to United States industry than any of his predecessors in more than half a century."

It's true that the administration has fought with protectionists in Congress, but only over who should have the power to restrict trade. As Reagan put it, "It's better policy to allow for Presidents—me or my successors—to have options for dealing with trade problems."

Defenders of the Reagan policies will say that he has engaged in protectionism to open foreign markets. But they cannot deny that one-quarter of all imports are today restricted, a 100% increase over 1980.

Nor are foreign markets more open. The Reagan administration talks about exporting free enterprise, but in fact it has exported economic intervention to Japan, South Korea, and other nations. When the U.S. imposes import quotas or pressures a foreign government to do so, a compulsory cartel must arise in the exporting country, since its government will assign the quotas among private firms and administer the system. Ronald Reagan has forced nations that export textiles, apparel, sugar, steel, and other products to cartelize these industries.

Can trade restrictions open foreign markets? The use of government power to regulate trade is more likely to produce conflict of which American consumers and exporters become the victims. It is also naive, because it ignores the political pressure to maintain existing restrictions. The U.S., for example, could impose new limits on Japanese

autos to force Japan to accept beef exports from Iowa. But, as syndicated columnist Stephen Chapman asks, "Does anyone believe that when Japan starts buying Iowa beef, Ford and Chrysler will stop trying to keep out Japanese cars?"

Considering our own intricate web of trade restrictions, it is sanctimonious for the United States government to lecture others about opening their markets. It might be in a better position to make demands if it first stripped our economy of those restrictions. But wouldn't we be giving up bargaining chips? Yes. But the objective is not to negotiate; it is to enjoy the benefits of productivity and the international division of labor. The bonanza of unconditional free trade would be so great for the United States that it would set a good example for the rest of the world.

The value of free trade does not depend on open markets abroad. It is good for the nation that practices it, regardless of what others do. The purpose of an economic system is not to produce jobs or sell products abroad. Those are means. The end is satisfaction of our material wants. Free trade is good because our standard of living depends on how easily we can get the products and services we want.

One is led to ask: with free-traders like this, who needs protectionists? The administration has thus far:

- ☑ Forced Japan to accept restraints on auto exports;
- ☑ Tightened considerably the quotas on imported sugar;
- ☑ Negotiated to increase the restrictiveness of the Multi-fiber Arrangement governing trade in textiles and apparel;
- ☑ Required 18 countries, including Brazil, Spain, South Korea, Japan, Mexico, South Africa, Finland, Australia, and the European Community, to accept "voluntary restraint agreements" that reduce their steel imports to the United States;
- ☑ Imposed a 45% duty on Japanese motorcycles for the benefit of Harley Davidson, which admitted that superior Japanese management was the cause of its problems;
- ☑ Raised tariffs on Canadian lumber and cedar shingles;
- ☑ Forced the Japanese into an agreement to control the price of computer memory chips;
- ☑ Removed third-world countries on several occasions from the duty-free import program for developing nations;
- ☑ Pressed Japan to force its automakers to buy more American-made parts;
- ☑ Demanded that Taiwan, West Germany, Japan, and Switzerland restrain their exports of machine tools;
- ☑ Accused the Japanese of dumping roller bearings on grounds that the price did not rise to cover a fall in the value of the yen;
- ☑ Accused the Japanese of dumping forklift trucks and color picture tubes;
- ☑ Extended quotas on imported clothes pins;
- ☑ Failed to ask Congress to end the ban on the export of Alaskan oil and timber cut from federal lands;

- Redefined dumping so domestic firms can more easily charge foreign competitors with unfair trade practices;
- Beefed-up the Export-Import Bank, an institution dedicated to distorting the American economy at the expense of the American people in order to artificially promote exports of eight large corporations.

The World Bank estimates that import restrictions in 1984 had the same effect as a 66% income tax surcharge on America's poorest citizens. Less obvious is the harm to American producers, who lose exports and pay more for capital goods because of protectionism. For example, everyone, including the beleaguered American auto industry, has to pay more for steel because of the Reagan administration's restrictions on imports. Even the steel industry is hurt because artificially high prices stimulate the search for alternative materials.

President Reagan missed a unique opportunity to begin freeing the American economy from the shackles of trade restrictions. He need not have given the American people a technical lesson in economics. He could have said that free trade requires no more justification than domestic economic freedom; indeed, it requires no more justification than the traditional American values of a humane and open society.

Mr. Richman is director of public affairs of the Institute for Humane Studies at George Mason University and an adjunct scholar of the Ludwig von Mises Institute.

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The Gold Standard and the Free Market

Llewellyn H. Rockwell, Jr., founder and president of the Mises Institute, is a frequent guest on tv and radio talk shows. The following is excerpted from an interview on the gold standard and the free market with Buzz Schwartz of KMNY-Radio in Los Angeles:

KMNY: How can you have a gold standard if the government is intervening?

ROCKWELL: Politicians will always do things that they shouldn't. We see it with Congress; we see it with the Federal Reserve. So the way to think of the gold standard is not as a panacea, but as the monetary equivalent of the Constitution.

KMNY: Why don't we concentrate on the free market and forget about gold?

ROCKWELL: Because gold money is what the unrestricted market has always chosen. Ludwig von Mises demonstrated that money—the greatest economic achievement in history, which made it possible for us to advance from primitive barter—was an invention of people in the market. Whenever people have been free to choose, they have always chosen gold. The gold standard prevents inflation. And inflation does a lot more to our economy than just raising prices. It creates the business cycle, the booms and the busts that Karl Marx said were inherent in a capitalist economy, but which are actually caused by government intervention. Inflation fatally distorts the free market. That's why we had a crash in October. That is why we're in for other serious troubles.

KMNY: Rome had booms and busts and it was on the gold standard.

ROCKWELL: Yes, but the emperors manipulated and debauched it. In fact, you can chart the fall of Rome in terms of the destruction of its money.

KMNY: But that's the point. Manipulation is the problem. And it doesn't matter if they manipulate gold, the dollar, bonds, or trade. What difference does it matter what they manipulate as long as they're manipulating?

ROCKWELL: We want to make the manipulation more difficult. Imagine that you or I had a printing press in our basement that could produce perfect \$20 bills. Now we know it is immoral to counterfeit; we would be stealing from other people. But it would be an awfully strong temptation, especially if we were in financial trouble, to use it. Politicians don't have the self-imposed moral restraints that we do. But they do have a big printing press; it's called the Federal Reserve. They can expand the money supply to benefit themselves and their cronies. They can finagle interest rates and undermine the value of every working person's savings account and paycheck. But it's morally wrong, unconstitutional, and causes horrendous economic problems.

KMNY: Well, it's not unconstitutional. The Supreme Court
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is the arbiter of the Constitution. As long as they say it is constitutional, it is constitutional.

ROCKWELL: I don't agree. We can read the Constitution; we can see the clear meaning of the words written there. And we can see all the economic liberties that have been taken away from us with the connivance of a Supreme Court charged with protecting them. There is nothing in the Constitution about a central bank. The Constitution says that no state may make anything but gold or silver a legal tender, nor may any state emit bills of credit. The Constitution does not give the central government power to do either of those things, while clearly saying that anything the central government is not specifically given the power to do, it cannot do. The Founding Fathers knew the problems of fiat paper money and inflation all too well. They specifically denied this power to the central government; so yes, it's unconstitutional.

KMNY: Let's pretend we have a magic wand and we wake up Monday morning and the government is everything you ever wanted it.

ROCKWELL: You mean there's a "For Sale" sign on the Congress and everything?

KMNY: No, you can't do away with Congress because it's part of the Constitution.

ROCKWELL: Well...you said a magic wand.

KMNY: Let's assume the government is out of everything and somebody leaves me a billion dollars. So I buy every radio station in Los Angeles. I will control that medium in LA.

ROCKWELL: Well, first of all, it would take you a whole lot more than a billion dollars to buy all radio stations in LA.

KMNY: Yeah, but I'm trying to make a point.

ROCKWELL: But I don't accept it as a legitimate point. Right now you could go out and buy all the car dealerships in LA and "control" all the new cars in LA. You're not discussing the real world. The government has a monopoly on the airwaves. The government decides who can use the airwaves, and that's far more dangerous than you and your billion dollars.

KMNY: When business people manipulate the market and get it out of wack, the government charges in.

ROCKWELL: No, I think it works in exactly the opposite way. The government is always looking for ways to expand its power. And some people in the private sector are always looking for ways to benefit themselves at the expense of the rest of us through government. They want tax money and special powers and special privileges. The politicians and these private interests expand the state at our expense.

KMNY: Are you saying the market cannot be manipulated?

ROCKWELL: No. It is—by the government. I am not saying the market is perfect, only that we are better off with the maximum number of voluntary transactions and the minimum number of officials with guns. Let's not forget that government consists of a bureaucrat sticking a gun in your ear and saying, "Do this" or "Don't do that." Can't we agree that we want the least possible amount of that sort of conduct in society?

KMNY: Well, up to a certain point. The alternative is to give it to Bechtel or OPEC. I'd rather have the U.S. government gun than the OPEC gun.

ROCKWELL: I'm not fond of Bechtel or OPEC. Both are creatures of the state. Let's talk about this radio station. You can try to persuade me to advertise; you can't force me. That's the difference. The government can put a gun to my head. I want to take power away from these guys in Washington who inflate, tax, and waste our money.

KMNY: When you say restrict the power of the government and open up the markets, I agree with you. But I don't want to take that power and give it to someone else that I control even less than I control the government.

ROCKWELL: I don't accept the vocabulary you're using. Private power is not the same as government power. If you don't want to buy a Ford, you're free to buy a Chevrolet, a Toyota, or nothing. There is no way that Ford can force you to buy one of its cars, unless it can use the power of the federal government, which it has done to some extent in the last few years with import restrictions.

KMNY: What about international trade?

ROCKWELL: We have very dangerous things going on in Washington. It's no coincidence that the economic blocs of the 1930s ended up fighting each other. Trade restrictions only make us poorer and increase international tensions. And they violate the individual rights of Americans. Who are these people in Washington to tell us that we can't buy Taiwanese sneakers at the market price?

KMNY: Mistakes are made by government. But most congressmen, most senators, and most presidents think they're doing good for the country. But they're not intending to do harm. They don't deliberately pass an act that's going to hurt the country.

ROCKWELL: I worked on Capitol Hill for Ron Paul, and I can tell you that the vast majority of politicians care only about personal power. They certainly don't mind passing laws that will deliberately hurt most of us in order to benefit the special interests they're in cahoots with.

KMNY: You want to go back 200 years.

ROCKWELL: No, I want to go forward. But the Founding Fathers knew about liberty, and what they had to say still speaks eloquently and appropriately to us in the 1980s. ■

A Landmark for Liberty: Mises's *Liberty and Property*

by Jeffrey A. Tucker

The search for a short and accessible case for the free market by Ludwig von Mises himself is finally over. The publication of Mises's *Liberty and Property*, an essay presented to the Mont Pelerin Society in 1958, fills the gap perfectly.

In 1947, two years before the publication of *Human Action*, Mises, F.A. Hayek, Wilhelm Roepke, and about forty other free-market American and European scholars met to form the free-market Mont Pelerin Society. As Mrs. Mises explains:

The Mont Pelerin meetings were important to Lu. He met old friends, made new ones, and from all over the world streams of thought flowed in, unheard and un-discussed before.

Starting in the late 1950s, Mises noticed increasing sympathies toward interventionism and welfarism within the Society, and it disturbed him.

Liberty and Property, delivered at the 1958 Mont Pelerin Society meeting at Princeton University, was an impassioned attempt to persuade the Society that the pure free market is vastly superior to socialism.

The intelligentsia of the Greek and Roman Empires discussed the notion of liberty, he notes. But they couldn't conceive of capitalism because they thought that freedom was only for the few. Thus poverty, starvation, disease, and serfdom persisted. This condition of economic bankruptcy and intellectual defeat lasted until the end of the 18th century. That's when the coming of capitalism changed the face of the world.

Capitalism liberated people from the rule of the elite, and gave the average person the right to make economic choices. "The common man," says Mises, "was no longer a drudge who had to be satisfied with the crumbs that fell from the tables of the rich."

The development of the factory, with all the new products produced by it, is not the central component of capitalism. Capitalism placed economic power into the hands of the buying public and ushered in a new principle of marketing directed solely toward pleasing the customer. This new principle of marketing made the consumer king. "Capitalism is not simply mass production, but mass production to satisfy the needs of the masses," says Mises.

The workers in the factories were themselves the buying public, and in that sense, they ultimately made the production decisions. It is this insight which explodes the delusions of the socialists who, as Mises says,

are too dull to see the difference between a sovereign king or duke who could be dispossessed only by a more powerful conqueror and a "chocolate king" who forfeits his "kingdom" as soon as the customers prefer to pa-

tronize another supplier... If any of the socialist chiefs had tried to earn his living by selling hot dogs, he would have learned something about the sovereignty of the customers.

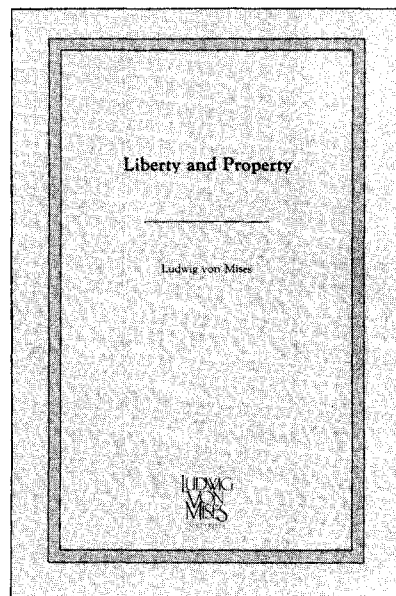
Socialism, Mises shows, embodies a hatred for the liberty of the masses. The common man's sin is indulgence; he wants to enjoy life and the vulgar products of the free market. A new class of state intellectuals must reeducate the common man, teaching him by force the virtues of giving up his bourgeois desire for liberty.

For those who find the slogans of socialism tempting, Mises explains the nature of government: "it is the opposite of liberty. It is beating, imprisoning, hanging. Whatever a government does is ultimately supported by the actions of armed constables."

Regarding the notion of property, despite what the socialists claim, there is no escaping it. Everything must either be owned by the State, or by individuals, or remain unused. That's why the choice between capitalism and socialism is ultimately one between private property and totalitarian control. The free market means freedom from state coercion and liberation for the masses.

In *Liberty and Property*, every word resonates power and wisdom. You will want to read it again and again, and pass it around for others, especially socialists, to read. There is no better short introduction to the free market, and to the passion and intellect of its greatest exponent, Ludwig von Mises. ■

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For a copy of Ludwig von Mises's *Liberty and Property*, check the box on the enclosed form. The price, which includes postage and handling, is \$5.00—plus any contribution you can add to aid the Institute's work for liberty and property.

Mises Institute . . . from page 2

and how vitally important has been the growing role of the Mises Institute.

The week-long instructional summer seminars play a vital complementary role. Here, leading Austrian economists engage in intensive instruction and discussion with students in a lovely campus setting. Participants are literally the best, the brightest, and the most eager budding Austrians. From there they go on to develop, graduate, and themselves teach as Austrian scholars, or become businessmen or other opinion leaders imbued with the truth and the importance of Austrian and free-market economics. In addition, the Institute is unique in that instructors avoid the usual academic practice of giving a lecture and quickly retiring from the scene; instead, their attendance at all the lectures encourages fellowship and an *esprit de corps* among faculty and students. These friendships and associations may be lifelong, and they are vital for building any sort of vibrant or cohesive long-run movement for Austrian economics and the free society.

In 1974, leading Mises student F.A. Hayek won the Nobel Prize in economics, a startling change from previous Nobel awards, exclusively for mathematical Keynesians. 1974 was also the year after the death of the great modern Austrian theorist and champion of freedom, Ludwig von Mises. Hayek's prize sparked a veritable revival in this long-forgotten school of economic thought. For several years thereafter, annual scholarly week-long conferences gathered the leading Austrian economists of the day, as well as the brightest young students; and the papers delivered at these meetings became published volumes, reviving and advancing the Austrian approach. Austrian economics was being lustily revived from forty years of neglect imposed by the Keynesian Revolution—a revolution that sent the contrasting and once flourishing school of Austrian economics down the Orwellian memory hole.

But then, in the midst of this flourishing development, something began to go wrong. After the last successful conference in the summer of 1976, the annual high-level seminars disappeared. So did Misesian instructional summer seminars. So did Misesian books. Increasingly, we began to hear that Mises had been “too dogmatic,” “too extreme,” he “thought he knew the truth,” he “alienated people.”

Yes, of course, Mises was “dogmatic,” i.e. he was totally devoted to truth and to freedom and free enterprise. Yes, indeed, even though the kindest and most inspiring of men, Mises “alienated people” all the time, that is, he systematically alienated collectivists, socialists, statist, and

trimmers and opportunists of all stripes. And of course such charges were nothing new. Mises had been hit with these smears all of his valiant and indomitable life. Some even sought gurus in such nihilist “hermeneuticians” as the Nazi philosopher Martin Heidegger and his disciple Hans-Georg Gadamer (although it should be added that the latter found it perfectly easy to shift to a pro-Soviet position when the Russians occupied his area of Germany). There was talk of a “synthesis” with Marxism, and of dropping any references to the free market as presenting a danger of alienating Marxist comrades.

Into this miasma, into this blight, there entered the fledgling Mises Institute. The Ludwig von Mises Institute began in the fall of 1982 with only an idea; it had no endowments, no oil billionaires to help it make its way in the world. In fact, the powers-that-be tried their very worst to see that the Mises Institute did not succeed. First, they demanded in no uncertain terms that the Mises Institute self-destruct before launching. When that demand failed, they organized a powerful boycott against the Institute, and particularly against the *Review of Austrian Economics*, which they realized to be the most potent single force in a possible renaissance of Misesian ideas.

The Mises Institute persisted, however, inspired by the light of truth and liberty, and gradually but surely began to find friends and supporters who had a great love for Ludwig von Mises and the ideals and principles he fought for throughout his life. The Institute found that its hopes were justified: that there are indeed devoted champions of freedom and the free market in America. Its journal and conferences and centers and fellowships have flourished, and the light of truth has prevailed over duplicity. Thanks to the Mises Institute, not only is the Austrian economic revival flourishing as never before, but above all, Austrian economics is once again, as it ever shall be, Misesian. ■

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Quote of the Month

In the market economy the worker sells his services as other people sell their commodities. The employer is not the employee's lord. He is simply the buyer of services which he must purchase at their market price.

—Ludwig von Mises
Human Action, p. 634