Samuelson and Rothbard: Two Texts and Two Legacies

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Notwithstanding the seeming popularity of the political slogan, "It's the economy, stupid," it should come as no surprise to readers of this journal that the suggestions of prominent members of the economics profession are more often derisively dismissed or taken only with several none-too-small grains of salt rather than accepted as flowing from the fount of wisdom. One reason for the ambivalence with which the general public views economists is the schizophrenic nature of most of their analyses and policy recommendations. For example, at a time when most academic economists have abandoned the old Keynesian framework, both analysts and makers of policy still cling to the Keynesian paradigm (Mankiw 1990, pp. 1645-660). Even Alan Greenspan, that supposed champion of the free-market economy, has all the earmarks of a Keynesian when faced with the daunting task of staring down an approaching recession following an inflationary boom (Herbener 1995, 1998).

Such schizophrenia also persists in the realm of economic journalism. An archetypical example is a recent news item bearing the headline, "Behind Slow Growth in Europe: Citizens' Tight Grip on Wallets" (Walker 2004, p. A1). In this story, seeking to explain why economic growth in Europe is slower than in the United States, the *Wall Street Journal* reporter cites the rather draconian regulatory environment with which entrepreneurs must cope. This seems like sound economic analysis, until the writer reveals his assumption that the negative effect such regulation has on economic expansion is felt most directly in inhibiting consumption spending, which it is implicitly assumed drives the economy. Thus we have a quintessential example of the mixing of sound concerns regarding burdensome regulations with a Keynesian fixation on consumption spending and its contribution to aggregate demand.

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THE QUARTERLY JOURNAL OF AUSTRIAN ECONOMICS VOL. 8, NO. 2 (SUMMER 2005): 71-94

Given the practice of such professionals, it is no wonder that the vast majority of Americans do not know whom, if anyone, they should believe regarding economic pronouncements. Much of the credit for this intellectual legacy can be laid at the feet of Paul A. Samuelson, the Nobel Prize-winning economist, who took the public mind by storm with his phenomenally popular textbook, *Economics: An Introductory Analysis*.[1] This year, his text, now co-authored with William D. Nordhaus, enters its eighteenth edition. This event offers the occasion for reexamining the legacy Samuelson has wrought on economic thinking for the past 57 years via *Economics*, and compare it to a different sort of economic text, republished in a new edition last year, Murray N. Rothbard's *Man, Economy, and State with Power and Market* (Rothbard 2004). While Samuelson, through the popularity of his brew of historicist, Walrasian, and Keynesian analysis, paved the way for the current dismal reputation of the dismal science, Rothbard, by developing his theory within the praxeological tradition of Menger, Böhm-Bawerk, and Mises, established an economic edifice that is both thoroughly realistic and universal, providing both students and professional scholars a consistent antidote for the contemporary interventionist mish-mash of free-market rhetoric and statist economic policy.

Historicism as the Setting for Economic Theory

In retrospect it should not surprise us that Samuelson's *Economics* is somewhat neo-historicist. Joseph T. Salerno reminded us recently that Samuelson himself cited the strict empiricist "Ernst Mach and the crude logical positivists" among his greatest philosophical influences (Salerno 2004). Such an empiricist outlook leads Samuelson to appear skeptical regarding the applicability of any sort of universal economic truth. Instead, what Samuelson attempts to do in his *Economics* is to bring his reader up to speed regarding the prevailing economic system within which he was writing. The result is a neo-historicist document in which the focus is not on deriving economic laws that are universally true, but on the functioning of our contemporary system, what Samuelson calls our "mixed capitalist enterprise system" (Samuelson [PAS] p. 34).

Although Samuelson leaves the impression that he is an economic relativist, he is not willing to give up on economic truth altogether. He does not dismiss the use of economic theory as a way to interpret reality and solve economic problems, strongly asserting the necessity of abstraction and theory in order to comprehend economic phenomena. He also writes that sound theory is always applicable to reality.

[1]While his text has now reached its eighteenth edition, because this paper focuses more on the legacy of Samuelson's book than on the most recent edition, page numbers referencing *Economics* in this paper refer to the original published in 1948.

> Properly understood, therefore, theory and observation, deduction and induction cannot be in conflict. Like eggs, there are only two kinds of theories: good ones and bad ones. And the test of a theory's goodness is its usefulness in illuminating observational reality. Its logical elegance and fine-spun beauty are irrelevant. Consequently, when a student says, "That's all right in theory but not in practice," he really means "That's not all right in theory," or else he is talking nonsense. (p. 8)

Note, however, that for Samuelson the proof of a good theory is in the pudding of history. Can the theory be verified by what we observe? Such an empiricist mindset is the intellectual root from which springs the trunk of his text. Good theory is determined by the specifics of time and place.

It turns out that the vast majority of Samuelson's *Economics* is merely descriptive. Notwithstanding his paean to theory, very little theory is presented or explained in the first 249 out of 608 pages, and no foundations for his theories are given.

The reader is, however, presented with an avalanche of statistics. We learn that in 1939 the world population was 2,080 million (PAS, p. 26). In 1929 "at the pinnacle of American prosperity, when complacency was also at its height the amount of per capita income in the United States was around $750 per year per person, or less than $15 per week" (PAS, p. 62). We are told that in 1940 the average earnings of white males were $1,401 and that of white females were $734 (PAS, p. 82). We find that, during the years 1920 through 1937, the average annual income for lawyers was $4,730 while that for a college professor was $3,050, and that for an unskilled laborer was $795 (PAS, p. 96). We read that "In the two years prior to Jan. 1, 1946, some 700,000 new businesses were started, and only 300,000 were discontinued" (PAS, p. 109). In the chapter on business organization and income, the reader learns that in 1948 the 200 largest non-financial corporations included firms like United States Steel, General Motors, Southern Pacific Railroad, Swift meat packers and Ligget and Meyers Tobacco (makers of Chesterfield cigarettes) (PAS, p. 124–25). Regarding government budget issues, the reader is informed that in 1948, the public debt was "slightly more than 250 billion dollars" (PAS, p. 156) and that all government spending in the United States totaled about 110 billion dollars in 1945 (PAS, p. 150).

Now, it should be noted that the inclusion of a multitude of statistics and facts is not a bad thing. In fact, Part One of *Economics* could be very valuable to the economic historian researching information of the recent past leading up to its publication date 1948. The point, however, is that, in a book entitled *Economics* with a subtitle *An Introductory Analysis*, Samuelson presents very little in the way of theoretical analysis of the statistics and facts he presents. It is as if the first step in understanding economic analysis is to understand the economic history of the particular economy in which the analysis is given. Any analysis is driven by the particular economic issue *du jour*.

For Samuelson unemployment is the modern day plague. It is this alleged historic reality that moves him to take a relativistic view of proper economic analysis. As Samuelson would have it,

> When there is substantially full employment, certain important economic principles are valid. When there is substantial unemployment, many things go exactly into reverse. We then move into a topsy-turvy wonderland where right seems left and left is right; up seems down; and black, white. (PAS, pp. 9–10)

Samuelson likens economic theory to geometry. What is true of Euclidean geometry may be false for non-Euclidian geometry and vice versa, but both exist and are true and useful in their own worlds. "For the modern world of unemployment, the conclusions of the old classical or Euclidean economics may be not at all applicable" (PAS, p. 10). Notice his characterization of classical economics as "old" as in *passé*, as in not at all hip or swinging.

In Samuelson's world, in other words, there are no such things as universally true economics principles. There are only different sets of economic theories, some of which are valid sometimes and others that are valid at other times. It is only in a full-employment world that "scarcity and choice are all prevailing" (PAS, p. 162). In a world of less than full-employment, well, scarcity must not be all prevailing.

This relativistic approach to economics, Samuelson argues, should be applied not only to unemployment and national income, but also to analysis of government intervention. Of the expansion of the state into economic affairs of men Samuelson characteristically asserts

> No immutable "wave of the future" washes us down "the road to serfdom," or to utopia. Where the complex economic conditions of life necessitate social coordination and planning, there can sensible men of good will be expected to invoke the authority and creative activity of government. But expansion of centralized power as a worthy end for its sake is quite another matter—an end alien to the typical American citizen's credo. (Unfortunately, not until long after the event will history tell us—and perhaps not then—whether or not a given expansion of governmental authority was a good or bad policy; whether or not it should have the approval of all those genuinely interested in conserving and improving the good elements in our system.) (PAS, pp. 153–54)

In Samuelson's world there is no systematic analysis that can be brought to bear on state interventions into the economy. All theoretical claims to the contrary, we can have nothing to say in advance regarding the desirability of increasing a minimum wage, lowering income taxes, inflating the money supply, or increasing the socialization of the economy via public ownership of utilities.

Notwithstanding Samuelson's explicit neutrality regarding interventionist policies, Samuelson tends to be naïvely congenial to the state in his phraseology. Regarding the effect of the income tax, he refers to the state as merely a "silent partner" sharing a fraction of ever dollar a producer receives (PAS, p. 115). Samuelson further normalizes that state by describing the United States government as the "biggest business on earth" (PAS, p. 155). This characterization, of course, is widely off the mark. The biggest organization, perhaps, but biggest business, no. A business is a firm that reaps a positive return only by successfully satisfying its customers. It advances income to the owners of factors of production, including its employees, in order to produce a good that people desire enough to voluntarily exchange their money for it. Likewise, real silent partners are those that voluntarily invest capital in exchange for part of the positive return that all parties to the exchange expect will accrue. The state, however, does not produce anything. It invests nothing. It survives not on revenues willingly exchanged for goods, but from money coercively extracted from its citizens. Instead of referring to the state as a "silent partner," it would be better characterized as a "silent confiscator." Most of the time it is not even that silent.

It should, in fairness, be noted that Samuelson does at least recognize the tendency for the state to expand. He understands the prevalence of the "ratchet effect" detailed by Robert Higgs's *Crisis and Leviathan* (PAS, pp. 150–51). Such a ratchet effect leads Samuelson to conclude that the state tends to expand regardless of which political party is in power at the moment. Samuelson cites a change in public ideology as the root of this expansion. He states that "No longer is modern man able to believe 'that government governs best which governs least'" (PAS, p. 152). And yet, people do not want to embrace the inefficiency that too often accompanies bureaucratic enterprise. Alas Samuelson notes that

> it is easier to preach economy than to practice it; easy to speak of cutting public expenditure to the bone, but when it becomes a matter of slashing aeronautical research, skimping on a veteran's hospital, denying aid to farmers, and so forth—then it is not so easy to carry out. The result: our legislators are forced to talk one way and act another; to content themselves with occasional outbursts of penny wisdom mixed with dollar foolishness. (PAS, p. 157)

Nowhere, however, does Samuelson appear to understand that often politicians talk one way and act another because of their own interest. It is not a matter of the politician wanting to do the efficient budget-cutting thing but being kept at bay because of the profligate public. It is just as likely that the politicians themselves seek out crises of which they can "raise public awareness" so that they can then step in and save the day by promising to solve the problem with another government program. Indeed, his presumption toward a belief in the benevolent ruler is shown in his championing of the withholding tax because it makes for more efficient tax collection (PAS, pp. 171–72).

While the majority of Samuelson's descriptive economic history might be interesting and fire the imagination of particular students, the very costly downside is that before the student is presented with any sort of even remotely systematic theory, he is faced with 293 pages all of which join in the chorus "It depends!" No matter what economic theories are presented in the following chapters, remember that whether they are actually valid depends on what sort of economic environment we are discussing. Samuelson's historicism produces, as Murray Rothbard said of the ninth edition of *Economics*, "a vast *potpourri* (or kitchen midden, depending on one's point of view) of bits and smidgens of technique and of data, none of them integrated into any sort of digestible or comprehensible whole" (Rothbard 1997, p. 254). The upshot is that what is important is understanding our mixed capitalist enterprise system. We cannot say for sure if a policy is generally good or bad. It depends on whether we are in a world where scarcity and choice are all prevailing or if we are in a world of less-than-full employment. We can never know ahead of time whether a particular government intervention will generate the positive results its advocates desire, or if in the end they will be disappointed.

Walrasian Framework

Not that Samuelson eschews the notion of theory or economic truth altogether. He is a relativist, not an utter skeptic. Those familiar with his scholarly output know all too well that Samuelson is very interested in theory. Interestingly, in his *Economics* Samuelson's historicist setting is coupled with a Walrasian economic framework. Léon Walras popularized mathematical economics and incorporated general equilibrium theory into the heart of neoclassical economics. Walras first set up his general equilibrium system and then descended to price theory. Although he is hailed as one of the independent marginal revolutionaries who, along with Jevons and Menger, discovered the importance of marginal utility, he himself did not place much emphasis on marginal utility other than as a mathematical necessity for him to solve his system of general equilibrium equations (Jaffe 1976, pp. 511–24).

Similarly, Samuelson does not even make use of marginal utility as the theoretical foundation for either supply or demand. Again he follows the path of the historicist and is merely descriptive when he gets to discussing demand, which is not until page 447. His justification for the shape of the theoretical demand curve is merely that "everyone has observed" that the demand curve slopes downward to the right (PAS, p. 447). He does make the good observation that the "price of a good is affected by the cost of production only to the extent that the latter affects supply," but then makes too much of a good's cost of production *à la* Marshall.

This is not to say that Samuelson did not believe in marginalism or did not use marginal utility in his scholarly work. Of course he did. The point is that, in explaining to undergraduates how prices are determined, he never bothered to even suggest that the law of marginal utility is what underlies both demand and supply. He gives the economics student no foundation for the laws of demand or supply other than that "everyone has observed." This lack of theoretical foundation is dangerously close to the child's "But Mom, everyone else is doing it."

It is hard to overstate the importance of this lack of realistic undergirding. One of the main obstacles that economics professors have to overcome in their classrooms is the brimming skepticism of their most thoughtful students. If a student is not shown why things are the way they are, they are inclined to merely memorize conclusions, do what they have to do to get a good grade, forget most of what they memorize soon after the final, and move on to their next class. On the other hand, those students who do not care about theoretical foundations and reality may swallow economic fallacies taught by the professor merely because he is the professor, yet have no reason for doing so or for not accepting other fallacies as true if presented to them in other classes. Indeed, without an economic theory tied to the reality of human action, no one has any reason to even take economics seriously.

In *Economics* Samuelson follows Walras in three ways. In the first place he uses a generally Walrasian expositive framework, meaning that he intends to be telescopic first and then microscopic. He wants to present the workings of the economic system as a whole, before getting into the nuts and bolts of its inner workings. In his Introduction Samuelson tells us that the central theme of his text is national income (PAS, p. 9), so after 224 pages of predominately descriptive text, he closes Part One with a chapter on the components of national income. He proceeds from there to chapters outlining what he sees as the determinants of national income to price determination to consumer equilibrium and production theory.

In his discussion of consumption and production theory he is similar to Walras in another way: by enshrining the neoclassical perfect competition model as ideal (Machovec 1995, pp. 159–79). He then quickly focuses on monopolistic competition as formulated by Robinson and Chamberlin as more realistic. Not surprisingly he is ready to point out how the real world is deficient when compared to the non-existent ideal.

Finally, true to the Walrasian economic vision, Samuelon's *Economics* is entirely devoid of the entrepreneur. Indeed there is not a single index entry for the word. For all of the economic history Samuelson puts into Part One, the reader nowhere finds entrepreneurs undertaking production by obtaining particular complementary factors of production and using them to produce goods to be sold in the future based on forecasts of future consumer demand. It is as if the entrepreneur does not even exist. The only chapter where he specifically analyzes the issue of economic change and risk is in the second to last chapter in the book and there he focuses on speculation in commodities and stock markets. The student is never informed that all action occurs in time and is, therefore, speculative.

Because Samuelson buys the Walrasian framework, he also swallows the possibility of a meaningful price system in socialism. His last chapter discusses various economic systems such as fascism, communism, and socialism. The last part of that chapter deals with the price system under both socialism and capitalism. Concerning socialism, he argues that mere accounting prices will allow the central planners or managers under socialism to use the trial and error method to solve the economic problem of allocating scarce resources effectively. It is this naïve view of the problems of economic calculation under socialism that makes him grossly overestimate the growth prospects for the USSR throughout most of the history of his text's many editions. Not surprisingly, none of his discussion regarding prices under socialism gives any indication that he is at all familiar with the socialist calculation debate set in motion in by Mises back in 1920 (Mises 1975; 1998, pp. 694–711).

The Theme is National Income

As mentioned earlier, the theme of Samuelson's text is national income. His may be one of the first to present a circular flow diagram in explaining national income. It is here, as they say, that the fun starts. Samuelson's historicism opens the door for his essentially Keynesian analysis. It is no accident that on the otherwise stark green clothbound cover, the only image to be seen is an unlabeled graph of the Keynesian cross. For Samuelson, the key determinants of national income are savings and investment, but like Keynes he severs them. He argues that acts of saving and investment are done by different people for different reasons (PAS, p. 255). Extreme variability in investment exists, so the free market can never guarantee enough investment for full employment.

Instead of providing a cogent explanation of the importance of saving for investment and the necessary link between the two, he reverses cause and effect. He asserts that investment determines the level of national income, which in turn determines the savings level (PAS, p. 278). The magnitude by which investment affects income and subsequently savings is determined by the multiplier. Of course this is completely backward. One cannot invest what has not first been saved. Even entrepreneurs who borrow funds to invest are utilizing someone else's savings. It is savings that determines investment and not investment that determines savings.

Samuelson's Keynesian analysis also drives his business cycle analysis. He characteristically will not subscribe to any particular theory, but asserts we need to take what is true from all of them to understand the nature of business fluctuations. He does see that the key to the cycle is related to capital. Alas, however, instead of then seeking to derive a business cycle theory that accounts for this, he merely tips his hat to the accelerator theory and then it's back to Keynes.

Additionally, he does not trust free-market banking. He describes laissez-faire banking as unstable and as a primary contributor to economic cycles. The history of private banking, he claims, is one of periodic crisis, panic, and bankruptcy. In support of his claim he cites the approximately 8,000 bank failures from 1930–33. He provides absolutely no indication that the Federal

Reserve was the cause of the inflationary boom that led to the bust and the related bank failures of the early 1930s. Free-market banking indeed! His policy recommendations to protect the economy from banking's contribution to recession and depression are thoroughly statist. He advocates increased regulation of banks' initial formation and subsequent activity, maintaining the Federal Reserve, and FDIC Insurance.

These banking measures, along with Keynesian counter-cyclical measures are part of the ever vigilant economic policy necessary to forestall a relative decline in American economic prospects that Samuelson apparently saw ahead in 1948. With a sense of urgency, he tells his students, "If, as before the war [WWII], Americans mark time for another decade, the collectivized nations of the world, who need have no fear of the business cycle as we know it, will forge that much nearer or beyond us" (PAS, p. 394). There is really no excuse for such a remark. Twelve years earlier Wilhelm Röpke explained that socialist economies also had need to fear the business cycle (Röpke 1936, pp. 318–38). In fact, Röpke demonstrated that it is more likely that economic downturns will be chronic in a collectivized economy, because of the lack of any mechanism by which wasteful capital investment will be liquidated.

The Half-Century of Social Engineering

The ultimate legacy of Samuelson's *Economics* is that it opened the door to over a half century of social engineering. Hans-Hermann Hoppe has pointed out that the most prevalent socialistic ideology in the West is not explicit totalitarianism like we saw in the Soviet Union or Nazi-Germany. It is not even the sentimental egalitarian social democracy like we see in Sweden. No, the form of interventionist ideology adopted by most in the West is scientistic social engineering (Hoppe 1989, pp. 95–125). After adopting the empiricist epistemology made popular by the logical positivists in the early part of the twentieth century, social scientists and especially economists were seemingly free from the shackles of economic theory. The only economic propositions that are capable of scientific analysis are those that are be falsifiable, it is argued. As such they must be able to be tested with economic data. Because future experiences could always be different, any economic theory is necessarily only tentative and hypothetical. Such thinking opened the floodgate for *ad hoc* social engineering, because whenever one can show theoretically or even empirically that some interventionist policy will fail to produce the desired outcome, it can be claimed that the policy failure is due to some uncontrolled or, as of yet, unidentified variable.

While much of the epistemological underpinning for contemporary social engineering embodied in the policy analysis of the economics profession stems from Milton Friedman's paper on positivist economics, the mass popularity of such haphazard interventionism must be rooted in the most popular economic text of the twentieth century, Samuelson's *Economics*. In fact, one can reasonably view Samuelson's text as an effort to bring Richard Ely's and

Thorstein Veblen's progressive vision of scientific management up to date, making it applicable to a post-World War II environment (Nelson 2001, pp. 35–112). Samuelson's historicist view of economic theory leads him to adopt such an approach to economic policy. We have already noted that Samuelson makes a distinction between economics that is valid during full employment and a different economics that is valid during times of unemployment and depression.

In an economy with full employment, expanding government spending in order to expand the state or engage in fiscal policy requires serious choices. In such a world, Samuelson admits that the insights provided to us by the classical economists are valid and of much merit (PAS, pp. 161–65). Funding increased government spending by increased taxation merely redistributes wealth, not increases it. Borrowing to fund a larger government budget essentially does the same thing. Inflation brings with it its own negative consequences in the form of the destruction of purchasing power of the monetary unit.

However, in the modern economy, one riddled with unemployment, things are different—very different. As Samuelson has it, "Policies that are economically unsound in a full employment world may be the height of wisdom in the period of deep and prolonged unemployment (PAS, pp. 165–66). The reason for this topsy-turviness, according to Samuelson, is that in a world of less-than-full employment there are by definition idle resources ready to be employed. Because these idle resources are free for the picking, so to speak, scarcity is not a binding constraint when unemployment abounds. It is as if we do indeed have a Malthusian general glut of goods.

We find whiffs of Samuelson's approach manifested in the work of popular economist and *New York Times* columnist Paul Krugman. In response to the economic depression Japan experienced during the 1990's he advocated throwing out the conclusions and policy recommendations of "orthodox" economics and implementing massive monetary inflation because tough times call for tough measures (Krugman 1999).[2]

Samuelson likens the free-market economy in the modern world to a machine without proper steering and no governor. We need periodic *ad hoc* adjustments of direction and acceleration and deceleration. Thus we see that the popular modern notion of an economy "overheating" is essentially Samuelsonian.

What specifics does Samuelson advocate in an unemployment world? A many-faceted counter-cyclical policy. Using public works to achieve full employment is "obviously sensible" (PAS, p. 411). Additionally, during times of unemployment we need to boost government spending, even if it means we have to borrow to do so. We can get away with it economically because the

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[2]For an overview and economic critique of Krugman's book, see Ritenour (2000, pp. 79–83) and Thornton (2003, pp. 5–18).

GDP of the United States is supposedly ever-growing. In fact Samuelson baldly states that because we always have long-term economic growth, "there is no technical financial reason why a nation fanatically addicted to deficit spending should not pursue such a policy for the rest of our lives, and even beyond" (PAS, p. 433).

It should be clear, however, that there are good reasons for avoiding perpetual deficit spending. Such spending necessitates the government's intrusion into capital markets. As the demand for present money in exchange for future money increases, so does the interest rate, making it harder for entrepreneurs to obtain capital funds from investors. This government-driven capital consumption will result in lower labor productivity, an accompanying decrease in the demand for labor which will only exacerbate any unemployment problems.

Too Little Too Late

The arbitrary nature of Samuelson's analysis and policy recommendations almost guarantees that he should be correct at least once in a while, and he is. During his discussion of money and his brief against free-market banking, he recognizes and shows why money is not neutral. When the money supply increases, for example, prices do not change proportionally, but differently depending on who gets the new money and when (PAS, pp. 292–97).

His two chapters on international trade are the best in the book. Samuelson adequately explains and defends the law of comparative advantage and mutually beneficial free trade. He quite ingeniously explains that "From the standpoint of pure economic welfare, the slogan 'Buy American' is as foolish as would be 'Buy Wisconsin,' or 'Buy Oshkosh, Wisconsin,' or 'Buy South Oshkosh, Wisconsin'" (PAS, p. 554). Such economic nativism is foolish, of course, because it would effectively remove from us the possibility of taking advantage of the increased productivity flowing from the international division of labor. Having demonstrated the benefits of free trade, however, Samuelson still succumbs, of all things, to the infant industry argument for tariffs. Unfortunately, Samuelson's generally sound analysis regarding free trade is too little too late, and, as should be evident from everything in this critique, is theoretically disconnected from the rest of the book.

What are we to make of Samuelson's effort on the whole? It is not hard to see why *Economics* took the college world by storm. It seems to have something for everyone. Those students and professors who think the main objective of economics is to know the facts about the economic system *circa* the previous ten years or so, found just such a book. Samuelson gives an impressive historical and statistical description of his contemporary economy or at least of the economy of the very recent past. For those eager for a brave new economics, in our dangerous new world of chronic unemployment, he provides the Keynesian vision as well as it can be expressed. Finally, for those yearning for those Marshallian days of yesteryear, he tacks on a few chapters on price determination, production theory, and international trade towards the end, none of which, however, is organically rooted to human action.

It is just this sort of *ad hoc* and disjointed approach, however, that results in this jumbled tangle of data and analysis. Samuelson's relativistic exposition ultimately misleads his students into thinking that economics is not about deriving universal economic truths, but about finding useful policy tools to apply at just the right time. Samuelson's *Economics* demonstrates that a bad approach to economics and utter lack of realistic theory results in analysis faulty enough to mesmerize students with Keynesian analysis and destructive policy recommendations.

THE MISESIAN APPROACH AND ECONOMIC TRUTH

The many limitations of Samuelson's text are brought into bold relief when compared to another economics classic that has also recently been republished in a new edition, Murray N. Rothbard's *Man, Economy, and State with Power and Market* (Rothbard 2004).[3] Unlike Samuelson's historicist/Walrasian approach, Rothbard follows the path of his teacher Ludwig von Mises.[4]

Rothbard's text provides the reader with a thoroughly realistic, yet thoroughly universal body of economic theory. It is neither historicist nor positivist. It is an integrated tapestry of economic principles that apply to real existing humans, not perfectly informed machines in an artificial "perfectly competitive" world. Because Rothbard begins by outlining the implications of realistic human action, the economic theory he derives is not bound to a particular time and place, but is valid for all humans through all time.

Like Samuelson, Rothbard believes that theory and practice are not in conflict. As he writes, "[T]he dichotomy between 'theoretical' and 'practical' is a false one. In economics, all arguments are theoretical. And, since economics discusses the real world, these theoretical arguments are by their nature 'practical' ones as well" (Rothbard [MNR], p. 616).

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[3]The new edition of *Man, Economy, and State* is coupled with Rothbard's *Power and Market* in one volume. The page numbers used in the following citations referring to *Man, Economy, and State with Power and Market* refer to this new Scholar's Edition.

[4]Beginning in 1949 Rothbard was for more than ten years a regular participant in Mises's seminar held at New York University. Rothbard dedicated *Man, Economy, and State* to Mises. In his preface to *Man, Economy, and State*, he expresses some of his feelings upon discovering Mises's great treatise, *Human Action*:

> Professor Paul Samuelson has written rhapsodically of the joy of being under thirty at the time of publication of Keynes's *General Theory*. I can say the same for the publication of Ludwig von Mises' *Human Action* in 1949. For here at last was economics *whole* once more, once again an edifice. Not only that—here was a structure of economics with many of the components newly contributed by Professor Mises himself. . . . Suffice it to say that from now on, little constructive work can be done in economic unless it starts from *Human Action*. (1998, p. xciii)

Rothbard, however, unlike Samuelson, does not appeal to positivism as the way to sort out which theories are true and when. He begins his analysis from the universal fact of human action and, hence, derives principles that can be applied to all human societies everywhere.

All practice can then be explained and interpreted correctly with the correct theory. Theory is not driven by experience and theory's immediate context. The problems of unemployment and depression, for example, do not require a completely different analytical framework that produces a completely separate set of valid economic principles. The key to understanding economic problems is in applying universal economic principles to specific circumstances, not using circumstances to dictate an entirely new theoretical system. A human is still human whether he is employed or not. He still applies means to achieve ends regardless of whether the economy is expanding or contracting. Scarcity is always with us. Therefore, economic principles, such as those derived by Rothbard, rooted in the fact of human action can be applied to understanding and responding to all economic problems.

Rothbard's Misesian approach also removes any necessity of testing economic postulates with statistics. In fact it would be a waste of time to do so. If we begin with true axioms and make no mistake in our logic, our conclusions are necessarily true. There is no need to attempt to verify or to falsify our theories. We need, rather, to examine the validity of our axioms and be careful not to make logical errors.

This is why Rothbard, like Mises and very unlike Samuelson, found no reason to cram his book with mountains of economic statistics of the recent past. This is not because Rothbard did not value economic history. Judging from his intellectual output, Rothbard obviously found it quite interesting. His works of economic history are towering achievements.[5] Nevertheless, he did not need to supply statistics or supply excessive historical data to verify or prove the economic laws he derived praxeologically.

Rothbard's derivation of universal economic principles gives him the ability not only to develop economic theory as it applies to the workings of the free market, but also allows him to undertake a full-blown analysis of state intervention. Unlike readers of Samuelson's *Economics*, students of Rothbard are not left swimming in a soup of skepticism regarding the economic effects of government policy. Those who master the last chapter on violent intervention in the marketplace, a chapter organically integrated into all that comes before, will understand perfectly well what will happen if the state decreases the income tax, increases the money supply, or hikes the minimum wage.

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[5]See Rothbard (1990, 1962, 1963, 1975-79, 1994, 2002). Rothbard also wrote numerous articles and book chapters devoted to economic history. For a complete bibliography of the publications by Rothbard see http://www.mises.org/rothbard/Bibliography1.PDF.

Praxeology and Economics

As indicated above, the key to Mises's theoretical success is his praxeology. The word itself was coined by French sociologist, Alfred Espinas in 1890 and is defined by Mises as "the general theory of human action" (Mises 1998, p. 3). Mises considered economics the best elaborated branch of praxeology. Rothbard concurs, referring to praxeology as "the complete formal analysis of human action in all its aspects" and economics as a "subdivision of praxeology" (MNR, p. 299).

Developing an economics that is a subdivision of the general science of human action requires the concept of human action itself be the starting point for analysis. Beginning with the fact that humans engage in purposeful behavior, Rothbard builds a logical, integrated body of economic theory from the ground up.

The proper study of human action requires methodological individualism. This individualism is not an ethical bias, but necessary because only individual people act. As Rothbard explains regarding human action

> [*It*] *can be undertaken only by individual "actors."* Only individuals have ends and can act to attain them. There are no such things as ends of or actions by "groups," "collectives," or "States," which do not take place as actions by various specific individuals. "Societies" or "groups" have no independent existence aside from the actions of their individual members. (MNR, pp. 2–3)

Because economics is embedded in praxeology, the science of human action—and human action is only undertaken by individuals—economics must also begin by spelling out the implications of action by focusing on the individual. This, of course, is very much contrary to Samuelson's focusing on national income, the mother of all aggregates.

From the fact that individuals apply means to achieve ends, Rothbard demonstrates that all means are scarce and must be economized. This process of economization requires the ranking of ends and the subsequent ranking of means that can be used to achieve those ends. He demonstrates the nature of subjective value, that satisfaction or utility is subjective or personal and not something that can be quantified, measured, added up, or compared scientifically among people.

From these building blocks derived from the concept of human action, Rothbard derives the praxeological law of marginal utility (MNR, pp. 21–33). Because each successive homogenous unit of a good will be used to serve a less valued end (because the previous units have been used to satisfy the highest valued ends), the value or utility that the person attaches to that unit will be lower than the value attached to the previous unit. "*Thus, for all human actions, as the quantity of the supply (stock) of a good increases, the utility (value) of each additional unit decreases*" (MNR, p. 25). Note that this law is true for all human action. It applies for all people throughout all time. It is from such praxeological beginnings that Rothbard, like Mises, Böhm-Bawerk, and Menger before him, is able to derive a realistic theory that is not constrained by its historical setting.

Rothbard then proceeds to explain the nature of mutually beneficial voluntary exchange. His exposition of the division of labor made possible by exchange is in the second chapter, near the front of the book, where it should be, rather than tucked away back in chapter 23 where it is in Samuelson's book.

Importantly for economics students, Rothbard uses the law of marginal utility to provide a detailed, yet clear, derivation of the concepts of supply and demand. He shows, for example, that the law of marginal utility implies that as the hypothetical price of a good decreases, the quantity buyers are willing to buy will either increase or remain the same, but never decrease. As people buy more units of a good, the marginal utility of that good will decrease. Therefore, they will only be willing to purchase a larger quantity of the good if the price is also lower. Rothbard likewise explains that as sellers sell additional units of a good, the value of the marginal unit still in their possession increases. Therefore, in order for them to be willing to sell a larger quantity, it will be necessary to offer them a higher price.

Rothbard's exposition of supply and demand undergirded by marginal utility is important for students, because it provides the why of price theory. It gives students a sound reason for the shapes of the hypothetical supply and demand curves. Rothbard does not settle for Samuelson's old "everybody observes" routine. He explains exactly why everyone does observe that as the price of a good falls, people tend to buy more. And he does so in a way that links supply and demand to the self-evident fact of human action. Students are not left pondering whether they can trust the opinions of dead neoclassical economists (or any economists for that matter). They are presented self-evident facts and irrefutable logic. They are convinced that good economists do have something to say that is worth listening to and considering.

Rothbard also uses marginal utility theory and other implications of human action as a foundation for his production theory. His recognition that people choose from various means to achieve their ends and that the vast majority of means can be used to achieve more than one end enables him to correctly stress the interrelatedness of all economic phenomena. At the same time, he does not fall prey to fallacious Walrasian general equilibrium thinking. For example, he explains the usefulness of the concept of the final state of rest that all markets in the economy are always tending toward and the artificial construct of the evenly rotating economy (ERE) which helps us to understand the nature of different categories of incomes earned by different people in the real economy. However, Rothbard, unlike Samuelson, never confuses the ERE with either a state we actually reach or an ethical goal by which to measure the real economy.

Rothbard built his own entire edifice of production theory. He very ably demonstrates the pure time preference theory of interest (MNR, pp. 367–451).

He further shows how the production structure permeates the economy. Because every stage of production takes time, he rightly emphasizes that the important interest rate is not the rate charged in the loanable funds market, but is the uniform rate of return required for investment throughout the entire structure of production. The pure interest rate, what Mises called the originary rate, is the root of all market interest rates and is the price of time. Because time is used in all production, the interest rate is required as a payment by all investors, not merely those buying bonds. Finally, he incorporates interest theory into the explanation of the determination of factor prices, and he does this without appealing to an already given factor price structure (MNR, pp. 453–507).

Another triumph of Rothbard is his treatment of the entrepreneur. *Man, Economy, and State* was the first (and one of the very, very few) texts written in the last half of the twentieth century that provides an exposition explaining the importance of entrepreneurship in the real world. This inclusion of the entrepreneur is due to his walking in the Misesian tradition. Rothbard refers to Mises's essay "Profit and Loss" (Mises 1952, pp. 108–51) as, "Perhaps the best presentation of profit theory" (MNR, p. 512). Because of the realistic nature of Austrian economics as developed by Menger, Böhm-Bawerk, and Mises, it has always recognized that all action is forward looking. Action is undertaken in the present based on expected outcomes in the future. The future is uncertain, so the actor must always speculate. He must forecast what the outcomes of his action will be. He never knows for sure if his actions will yield his desired outcomes.

Because the future is uncertain, producers must produce not for present demand, but for future demand if they are to be successful. Forecasting future market demand successfully is the chief function of the entrepreneur. He obtains the services of factors of production and uses them to produce economic goods he expects to sell at a high enough price in the future to yield him an economic profit. Those entrepreneurs who are more successful at serving future consumer demand than others will reap profits. Those who are less successful due to forecasting errors will incur losses.

Rothbard also clearly recognizes that for the vital work of entrepreneurs to be accomplished, they must be able to calculate profit and loss. Again following Mises, Rothbard underscores the importance of market prices for such economic calculation. In describing the function of the entrepreneur, Rothbard writes that "[H]e saw that certain factors were underpriced vis-à-vis their potential value products . . . he shifted factors of production . . . from other productive processes to this one" (MNR, p. 511). He continues on to explain loss occurring "when an entrepreneur has made a poor estimate of his future selling prices and revenues" (MNR, p. 512). The entrepreneur makes his judgment regarding various potential investment projects by comparing the difference between the price of the final product he expects to receive and the sum of the prices of the factors necessary to produce the final product. This is only possible if there is a free market for factors of production.

Only a free market will generate prices of producers' goods that are essentially linked with the subjective values of consumers. In a free market, prices for goods reflect market supply and demand schedules that are in turn manifestations of values scales of every member of society. Because the demand for factors of production is derived from the demand for those goods they can be used to produce, the prices of factors of production are also ultimately determined by the subjective preferences of all in society. Additionally, these prices are all expressed in terms of the same monetary unit. Money prices in a free market, therefore, allow entrepreneurs to compare the relative value of different non-specific factors of production with the future prices for which they expect they can sell their final products. Without market prices expressed monetarily, entrepreneurs would have no way to calculate profit and loss. Those making production decisions would have no way to effectively plan.

This lack of ability to effectively plan is what dooms all "planned economies." As was pointed out by Mises, without market prices, central planners do not have access to economic calculation. They have no way to rationally plan production. "What is called a planned economy is no economy at all. It is just a system of groping about in the dark" (Mises 1998, p. 696).

Following in Mises's analytical footsteps, Rothbard, unlike Samuelson, is never suckered into swallowing the notion that central planners or socialist managers can merely use trial and error and "play market" in order to find prices that will provide for economic efficiency.

Additionally, Rothbard further develops Mises's insights into economic calculation, by applying them to firm size. He notes that it is the existence of a market where factors of production are bought and sold that generates the market prices with which producers calculate. Hypothetically, if a large successful firm becomes larger and larger and thereby assumes more and more stages of production internally and gobbles up competitors so that it is the only producer at several stages of production, then there is no market for goods at these stages. Intermediate goods merely pass from stage to stage within the firm. However, because of the lack of market prices, it becomes harder and harder for the owner to know how to allocate resources within his firm, because he does not have access to market prices in making his decisions. Such an owner of a giant, all-encompassing firm would be in the same economic boat as a Soviet central planner. As Rothbard explains,

> [T]he reason why a socialist economy cannot calculate is *not* specifically because it is socialist! Socialism is that system in which the State forcibly seizes control of all the means of production in the economy. The reason for the impossibility of calculation under socialism is that *one agent* owns or directs the use of all the resources in the economy. It should be clear that it does not make any difference whether that one agent is the State or one private individual or private cartel. Whichever occurs, there is no possibility of calculation anywhere in the production structure, since production processes would be only internal and without markets. There could be no calculation, and therefore complete economic irrationality and

> chaos would prevail, whether the single owner is the State or private persons. (MNR, p. 615)

Consequently, in a free market, profit and loss considerations will naturally limit the size of firms. When it becomes apparent to an entrepreneur that he cannot continue to expand and effectively manage his factors of production, he will cease expanding. Unfortunately, the socialistic state is not bound by profit and loss and can continue to socialize and thereby bring its economy to a screeching halt.

Austrian Macroeconomics

A towering achievement of Rothbard is his integration of Böhm-Bawerk's capital and production theory and Mises's monetary theory in order to elaborate a realistic and internally consistent macroeconomics that is organically linked to human action and, hence, to the rest of economic theory. Because Rothbard builds his macroeconomics up from concrete human action, he avoids the pitfalls of Samuelson's Keynesian analysis.

In the first place, nowhere in *Man, Economy, and State* do we find a circular flow diagram substituting for the production process. The circular flow model simply does not give an accurate picture of the economy. It leaves out the important element of time and, hence, it leaves out the entire capital structure.

Rothbard recognized that because all production takes time, understanding the production structure is vital for understanding the workings of the social economy as a whole. Rothbard used Hayek's exposition of the production structure to present Austrian capital theory. The general macroeconomy is represented by an aggregate production structure that supports the production of all consumers' goods (MNR, pp. 390–410). Throughout the entire social economy, money moves from consumers' goods industries up through the higher stages of production. At the same time, goods flow from the higher stages to the lowest order of production, finally being sold as consumers' goods.

Rothbard's exposition of the production structure also steers the reader clear of placing too much emphasis on consumer spending as the fertilizer that "grows the economy." If one considers all of the transactions that take place throughout the aggregate production structure, one soon sees that consumer spending does not drive the economy. Rothbard makes clear that the manufacture of all consumers' goods is supported by a large structure of production, which is made possible only by investment in capital goods (MNR, pp. 402–03). Gross investment expenditure, therefore, and not consumer spending, drives the economy, because capital is accumulated and maintained only through savings and investment. The capitalists at each stage of production have a crucial role to play in maintaining the capital structure. If capitalists decide not to save, the production structure would immediately break down. Instead of fallaciously severing savings from investment, Rothbard rightly explains that, far from being an unwanted leakage, savings is the necessary seed from which investment and the resulting economic expansion blossom. He also presents a masterful exposition explaining how monetary savings of individuals find their way into the hands of entrepreneurs through financial markets (MNR, pp. 435–43).

Rothbard's praxeological approach allows him to correctly diagnose the several Keynesian fallacies that so seduced Samuelson. He demonstrates that Keynesian anxiety over cash hoarding is entirely misplaced (MNR, pp. 776–85). "Hoarding" is merely a pejorative describing the actions of people increasing their demand to hold money because of their subjective valuation of money versus other goods. If this happens, contra Keynes, Rothbard explains that free market mass involuntary unemployment will not occur. An increase in the demand for money will reduce spending on consumers' and producers' goods. The prices of these goods, including money wages for labor, will fall. However, this process will only result in unemployment if people agree to demand union wages, in which case the unemployment is voluntary, or if a legal minimum wage is mandated by the state, in which case the unemployment is not a product of the free market, but government intervention.

Rothbard exposes the fallacious mathematical mutual determinism inherent in Keynesian interest theory. Unlike physics, where scientists do not know the causes of observed movements of inanimate objects, praxeologists know that economic phenomena are caused by the actions of individual humans. Rothbard thus explains that the interest rate is not, as Keynesians hold, determining investment while at the same time being determined by it. He successfully demonstrates that it is people's subjective time preferences that determine both the interest rate and investment spending (MNR, pp. 785–89).

Rothbard further demolishes the very notion of any consumption function upon which to build a macroeconomic theory and accompanying policy (MNR, pp. 860–68). Keynes and his followers, including Samuelson, posit that the level of consumption spending is a stable function of income. At best, however, any relatively stable relationship between the two is empirical. Because economics deals with acting humans, there are no quantitative constants in economics. Because humans have wills, they can, at any time, change the proportion of their income they spend on consumption. Therefore, no universally true economic theory can be erected on the foundation of an observed correlation.

If there is no stable consumption function, there is also no stable multiplier that is derived from the consumption function. Without a stable multiplier, Keynesian fiscal and monetary policy is doomed.

Intervention, What?

Rothbard concludes his text with a thorough economic analysis of government intervention in the economy. He lays out a taxonomy of intervention and explains the welfare effects of such intervention. His right understanding of the mutually beneficial nature of voluntary exchange derived from his praxeology clears the way for him to see the destructive nature of state interventionism. If participants in voluntary exchange believe themselves better off after trade, then hindering such exchange will always harm one or both of the parties.

He clearly explains the destructive nature and consequences of price controls. Not surprisingly, he demonstrates how shortages (surpluses) necessarily occur if there are effective price ceilings (floors) mandated for certain goods (MNR, pp. 892–900).

He then provides a devastating analysis of government taxation and spending. No student of Rothbard will be seduced into viewing the government as a "silent partner" as will the students of Samuelson. Readers will come away from *Man, Economy, and State with Power and Market* with a picture of the government instead as a rather loud confiscator. Rothbard recovers the Calhounian categories of tax payer and tax consumer, demonstrating that the entire governmental bureaucratic class lives off of the productive efforts of those private citizens who are net tax payers (MNR, pp. 881–82, 907–14). He further provides keen and thorough analysis of the incidence of taxation.

Finally, Rothbard's analysis of savings, investment, and the production structure not only provides an integrated theory of capital and growth, but also allows him to correctly analyze the fallacies of monetary inflation as a policy designed to bring us out of recession (MNR, pp. 994–1008). Inflationary credit expansion does not permanently lower market interest rates. It does not stimulate real investment. It does not get us on the road to recovery and prosperity.

By artificially lowering the interest rate, monetary inflation via credit expansion sets in motion an inflationary boom that disintegrates into an economic bust. Entrepreneurs are moved to expand investment at the higher stages of production, thereby lengthening the structure of production beyond what is warranted by the voluntary savings of people in society. Projects are begun that, although appearing so, are in fact not profitable. As the new money works its way through the economy, the recipients allocate their spending in the same old consumption/investment ratio, so that the additional savings necessary to keep the newly begun projects going are not forthcoming. There is a credit crisis as entrepreneurs scramble to borrow more money, driving up interest rates. Unprofitable investments are abandoned, workers in those businesses are laid off and recession begins.

The solution to this problem is clearly not more inflation, because that is what started the process to begin with. The solution is not to engage in deficit spending, which merely shifts vital capital into wasteful government projects. The solution is to free the market. Prolonged unemployment in the wake of an economic downturn, for example, is unnecessary as long as wages are allowed to adjust to a market clearing level.[6]

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[6]Rothbard makes many more contributions to economic theory in *Man, Economy, and State with Power and Market* than those specifically mentioned here. Space does not allow the identification and explication of each. Those interested in a fuller account of the intellectual contributions of Murray Rothbard are invited to consult Hoppe (Holcombe 1999, pp. 223–41); Armentano (1988, pp. 3–11); Garrison (1988, pp. 44–55); North (1988, pp. 89–109).

Two Texts, Two Legacies

A statement quoted so often that it has become cliché is, nevertheless, both true and relevant to the subject at hand. Ideas have consequences. Skeptics need merely to read the contemporary economic and political rhetoric. The market economy is basically good, except when we need to increase the minimum wage or lower rent ceilings or subsidize farmers and artists or when we need to raise tariffs or do whatever the next empirical study tells us. Inflation is bad, except when it is good for "growing the economy." Deficit spending is bad, except when it is good for stimulating GDP. Free market polices are okay in a world of full employment, but when unemployment is with us we should act as if there is no scarcity.

Ludwig von Mises said that economics is "the main and proper study of every citizen" because in our present democratic electoral process, ultimately the citizenry decides which policies politicians must undertake and which they must reject (Mises 1998, p. 875). "In joining a political party and in casting his ballot, the citizen implicitly takes a stand upon essential economic theories" (Mises 1998, p. 874). It is bad enough when academic economists and journalists repeat groundless economic pronouncements. When the masses are likewise intellectually rootless, they are easily tossed this way and that by every new economic doctrine. Their economic houses are built on ideological sand.

A primary source for this sort of thinking among the masses is Paul A. Samuelson's *Economics*. For over two generations more students received their introduction to economic principles through his text than through anybody else's. Samuelson's faulty epistemology and method has resulted in muddled analysis and woefully inconsistent policy prescriptions from both economic journalists and professionals alike. Samuelson's historicism produces a relativistic epistemology. Positivism is the method he uses to decide which economic principles are valid and when. Social engineering has been the result, as economists and politicians alike have promoted whatever *ad hoc* intervention can be justified by the most recent empirical study, while Samuelson's students are left without any theoretical foundation with which to adequately analyze their claims.

Samuelson's readers could be excused for feeling both bewilderment and hubris. Because Samuelson provides no theoretical trunk onto which his various data and models can be grafted, one is left wondering if any of it really makes sense. Can we count on any of it really being true?

At the same time, for those whose minds are not troubled by lack of theoretical consistency, Samuelson's *Economics* opens the door for the development of economic hubris. On the one hand, Samuelson's historicism and positivism frees his students from the constraint of economic truth derived from human action. Economics is the dismal science no more. It is not the discipline that always moans about the cost of things, but the new economics is about the possibilities in righting an economic ship sailing the sea of unemployment where scarcity is not a binding constraint. At the same time Samuelson's book gives its reader false hope that we have the power to successfully direct economic efficiency in a way contrary to the free market.

The antidote to this befuddlement is Murray Rothbard's *Man, Economy and State with Power and Market*. It has been noted that the appearance of *Man, Economy, and State* was the catalyst for the modern revival of Austrian economics (Salerno 2002, pp. 111–28). The main reason for this legacy is that the effects from reading, studying, and digesting Rothbard's first *magnum opus* is almost the exact opposite of those one gets from perusing Samuelson's tome. At once, epistemological skepticism and relativism are banished. Students are not left wandering in a wilderness of intellectual doubt. Note that this is not due to merely forceful assertions or ungrounded claims made by Rothbard. Rather he roots his entire theoretical structure in an irrefutable truth: humans behave purposefully. They act. Because Rothbard plants his theory firmly in the soil of reality, students reading *Man, Economy, and State* feel free and eager to learn and study economic theory because they know that the result will be economic principles that are both true and universal. Humans do act, and indeed all humans act.

Students of Rothbard come away from *Man, Economy, and State* with no fear that the latest empirical study will make his book irrelevant. Economic theory would become irrelevant only if human action becomes so as well. Contrary to being the dismal science, readers of Rothbard are filled with the optimism of economic discovery.

At the same time Rothbard's work tempers youthful enthusiasm with wisdom and prudence. It removes utopian statist fantasies from consideration. It forces students to view economic policies through the lens of apodictically certain economic law. It forestalls the development of false hope that we can make the economy a better place by the plans of those who say they are from the government and are here to help.

In 1948 undergraduate economics students had very little choice in the way of economics texts. Within the span of one decade, Keynes's general theory had swept the economics profession. With the publication of Samuelson's *Economics* it swept economics classrooms as well. Since 1962 however, those who are intellectually curious have had an alternative paradigm within which to pursue economic truth. Now we have a choice: for those who wish to remain mired in the world of ad hoc interventionism based on claims that we can never prove but only verify or fail to verify there is the new edition of Samuelson's *Economics* and its many clones. For those professors and students yearning for an economics that is both realistic and universal, an economics that provides true economic laws, an economics that matters, there is the new Scholar's Edition of Rothbard's *Man, Economy, and State with Power and Market*.

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