COMMENT

HOW BIG IS THE AUSTRIAN TENT? A REPLY TO BARNETT AND BLOCK

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It appears that the obvious intent of the recent paper by Professor Barnett and Professor Block (2006), "Gallaway and Vedder on Stabilization Policy," is to reveal to the Austrian community the fraud that has been perpetrated upon it by us (hereafter G and V) in our 2000 article "The Fraud of Macroeconomic Stabilization Policy." In Barnett and Block's words (p. 80), "there is every need for a paper such as this present one, which strips away the supposed veneer of Austrianism from a publication which is no such thing." We admire the diligence with which they have pursued their task. Their findings may be summarized as follows: "What is Austrian (Barnett and Block's points 1 and 6 through 8) in the original V and G article is not new, and what is not Austrian (points 2 through 5) is mainstream, and therefore incorrect."

We do not want to destroy a lot a trees in a detailed line-by-line defense of our position, although nothing that we read by Barnett and Block materially changes our mind on what we said several years ago. We would simply observe that the only *theoretical* proposition in points 2 through 5 (where we are allegedly non-Austrian in our approach) relates to the positive role that markets play in responding to and correcting any existing discoordination in labor markets. The remaining points consist of either definitions or statistically verifiable propositions. To be sure, one could argue that the notion of statistically verifiable propositions is in itself non-Austrian, but it is a concept embraced by most economists, including, we suspect, many Austrians on occasion. To illustrate our point, whether a time-series is stationary (a definition) can be statistically evaluated. If it is, the property holds whether one is an Austrian, a neoclassical, or a vegetarian, for that matter.

To return to the broader issue of putting our thoughts into some sort of economic taxonomy, we must confess to having had at times our own doubts

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about our Austrian bona fides. We approached the community in 1983, at the suggestion of Professor Fred Glahe, by submitting a manuscript to Murray Rothbard to be considered for publication in what would become the *Review of Austrian Economics*. In that manuscript (Gallaway and Vedder 1987), we cited Ludwig von Mises, just as we did in the more recent macro stabilization paper under discussion. Barnett and Block criticize us for our Mises citation as being "mangled" (p. 76) and tending to "condescend" (p. 80). Barnett and Block castigate us, for example, for failing to understand and note the distinction between a general decline in wage rates, and sector-specific declines in wages, reflecting our excessive aggregation, a curse of all mainstream economists.

Our only defense is to note that we proceeded in good faith. Professors Barnett and Block are not the first to raise questions about such an attribution. In a November 21, 1983 letter, the following comment was made about a paper we had written:

> One criticism, for example is that Mises' insight that unemployment is caused by excessively high wage rates is not uniquely Austrian, and is not essential to Austrian business cycle theory. Since it is part of Austrian theory, however, and since Mises was one of the few people hammering away at this, your reference to Mises is perfectly justified (also, business cycle theory is not all there is to Austrian economics).

The author of these remarks? Murray N. Rothbard is his letter accepting our earlier (1983) manuscript for the *Review of Austrian Economics*.

Whether, as Barnett and Block proclaim, Austrian business cycle theory is centered on monetary creation, interest rates, and capital theory, or, as Rothbard seems to suggest, involves that but also more complex issues relating to resource discoordination, we will let future Austrians debate. We clearly believe that wage rates were generally excessive during the Great Depression because of governmental policies, and we believe that that part of the Depression story is compatible both with Rothbard and Mises (see Rothbard's quote above), and with the modern restatement of the Austrian business cycle theory by Roger Garrison (2001). (Our only quarrel being our belief that labor market phenomena explain a very large part, as opposed to a minor part, of the determinants of the Great Depression, and of many cyclical events.) Indeed, we think Austrians should and mostly do accept the general proposition that any action (e.g., central bank money creation, legislative attempts to fix wages, etc.) that lead prices of factors of production to deviate from their "natural" level determined by human action, sets the stage ultimately for a boom and bust condition that we call "business cycles." As we read it, this is simply an extension of the spirit of Mises-Hayek-Garrison Austrian business cycle theory.

In their analysis, Barnett and Block imply that at one point in time, say 1995 and earlier, Austrians were a relatively small tenuously established group that perhaps had to take a "big tent" approach to defining Austrian economics for strategic reasons, but at the present time, the school is large and growing, and such expediencies are no longer needed. Being somewhat libertarian-inclined, we have always been uncomfortable with being identified by group characteristics, so we have never used the Austrian label to describe ourselves, thinking ourselves perhaps as fellow travelers, maybe as adjunct faculty in the Austrian School. If Barnett and Block are initiating de-tenuring proceedings against us, fine. We plead *nolo contendere*. We have no desire to engage in a prolonged debate on these issues.

References

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