

*Continuing Nomos' series
on the Austrian free-market economists*

Economists and Liberty: Murray N. Rothbard

by Peter Boettke

With the exception of Ayn Rand, no individual has affected the modern libertarian movement to the extent of Murray N. Rothbard. Neither Mises, Hayek, Friedman, nor Nozick have generated as much excitement and passion toward individual liberty as Rothbard. According to a recent *Liberty* poll, Rothbard is the most influential living figure among modern libertarians. And in many ways, it is factually true that the modern libertarian movement was born in Rothbard's living room.¹

The ideas that Rothbard represents, i.e., a combination of individualist anarchism, revisionist history, and Austrian economics, warrant serious attention from scholars and activists alike. It is in this set of ideas, and not his political activities or personality cult, that the real relevance of Rothbard lies.

INTELLECTUAL BACKGROUND AND DEVELOPMENT²

Murray Newton Rothbard was born in New York City in 1926. His parents, a chemist and a journalist, were anti-government activists, so Rothbard grew up in a politically conscious household. He attended Columbia College, receiving a B.S. in economics and mathematics in 1946, an M.A. in economics in 1948, and a Ph.D. in economics in 1956.

His Ph.D. thesis, later published as *The Panic of 1819*, was quite controversial at Columbia due to its anti central-bank and pro gold-standard position. Unable to find an academic position because of the intellectual dogma of the economics profession in the 1950s and 1960s,³ Rothbard began his career as a research consultant for the

Volker Fund in New York. During this time period Rothbard would write reviews for the Volker Fund on books and articles pertinent to libertarian scholarship. These reviews, intended for private circulation, reveal the breadth of Rothbard's scholarship and commitment to individual liberty as well as his sense of humor.⁴

He was then hired by Brooklyn Polytechnic (later called New York Polytechnic), where he taught in the Department of Social Science, until 1986 when he accepted the S. J. Hall Distinguished Professorship of Economics at the University of Nevada—Las Vegas. Though an academic by profession, Rothbard has never been satisfied with mere intellectualizing, but has also been a major libertarian political activist.

THE RELEVANCE OF ROTHBARD

Rothbard is one of those bold social thinkers who do not shy away from radical policy positions. His relevance, like that of Marx, lies at exactly this level. He is a steadfast opponent of political oppression, and he presents a system of thought that challenges both conservative and liberal conceptions of the good society. For those who are concerned with not just philosophizing about the world, but changing it, Rothbard provides a vision of a systematic science of liberty.

Perhaps the most prolific libertarian writer of this century, Rothbard has published close to twenty books—ranging from two treatises on economic principles, *Man, Economy and State* and *Power and Market*, to a treatise on political ethics, *The Ethics of Liberty*. In between, he has published several tracts on economic history, the most famous being *America's Great Depression*. In addition, Rothbard is a superb polemicist, as is evidenced in his several libertarian essays and monographs, the best being his brilliant *For a New Liberty*.

ROTHBARD AND MISES

Since early in his intellectual career Rothbard has desired to wear the "mantle of Mises." As Rothbard recently recollected, "*Human Action* was my great conversion experience in economics. All the problems I had had with economic theory—e.g.

the fact that each school of thought seemed vulnerable to the criticisms of its rivals—were speedily cleared up. I read this massive tome at fever pitch; all of a sudden, all of economics made sense, and fit together into a mighty and coherent system, all leading to individualism and human liberty."⁵

Rothbard is one of those bold social thinkers who do not shy away from radical policy positions.

Rothbard has intensely defended what he considers the basic tenets of Misesian economics: apriorism, deductivism, and individualism. These tenets represent to Rothbard "the method of economics": praxeology.⁶ There is no doubt that Mises advocated a transcendental apriorism to ground the action axiom, just as there is no doubt that Mises thought deductive logic was indispensable for clear thought, and that economic explanations must be traceable back to the meaningful acts of individuals. But, upon deeper examination, Rothbard's apparent authority is highly questionable.

Mises' thought is much more subtle than is typical of Rothbard. First of all, praxeology is a discipline, not a method. Rothbard totally obscures this point throughout his methodological writings. To Mises, praxeology is the broader discipline of the human sciences, of which economics represents a mere subset, and the method of praxeology employs "imaginary constructions" as aids in thought experiments.⁷ Similar methods, and their philosophical defense, can be found in the phenomenological writings of Franz Brentano, Edmund Husserl or Alfred Schutz.⁸

Mises, moreover, defended his apriorism by reference to the phenomenological concept of the "life-world," i.e., the world of everyday life in which we live, work, and play,⁹ something that Rothbard has at times also done when he evokes notions of "radical empiricism."¹⁰

But, on other occasions, Rothbard completely drains Mises of his philosophical context, at times

going as far as to suggest that Mises “invented” praxeology—something Mises explicitly denied.¹¹ This affords Rothbard the opportunity to dismiss Mises’ philosophical roots and insist upon some pseudo-Randian defense of economics and of libertarianism.¹²

As a result of his tremendous scholarly achievements in the past, Rothbard is able to argue against modern Austrians by simply invoking his own authority on Mises, as if to say: “What you’re doing is anti-Misesian because I don’t like it, and, therefore, Mises wouldn’t have liked it.” Rothbard has vehemently attacked *all* the recent books of the younger Austrians. He dislikes Lawrence White’s *Free Banking in Britain* because White proposes the desirability of fractional reserve banking;¹³ he dislikes Gerald O’Driscoll’s and Mario Rizzo’s *The Economics of Time and Ignorance* because they wish to extend subjectivism and modify the equilibrium framework from which Rothbard cannot escape;¹⁴ and he dislikes Don Lavoie’s *Rivalry and Central Planning* and *National Economic Planning: What is Left?* because Lavoie emphasizes spontaneous order and the way knowledge is utilized in society.¹⁵

At a time when the ideas that Rothbard has supported for decades are finally surfacing and being discussed among academics, Rothbard complains about a so-called “lack of purity” among the young Austrians as they succeed in getting a hearing for their views. In reality, though, Rothbard’s dispute with the younger Austrians results in large part from those students of Rothbard tracking down his (or Mises’) own footnotes—footnotes which at the present time are not politically desirable in terms of fund raising or battles for control of the libertarian movement.

But there is a much deeper issue to explore than merely funding or political control—that of seeking the proper philosophical backdrop for a systematic defense of freedom and human creativity. The writings of Mises and Hayek, and the philosophical traditions that influenced them, i.e., phenomenology and hermeneutics, are a good place to start.

These philosophies are fundamentally humanistic, placing man at the center of all social

analysis, and upholding the truth-seeking goal of the humanities. Despite the counter-argument advanced by Rothbard and his ilk that continental philosophy¹⁶ is irrational and collectivist, these philosophies uphold the inherent value of the creative human agent endowed with reason and provide the necessary philosophical backdrop for the discovery of truth in the “sciences humane.”¹⁷

ROTHBARDIAN ADVANCES AND DETOURS

Besides philosophy and methodology, Rothbard differs from Mises on several other counts as well, some improvements, some distortions.

First, the improvements: Rothbard has advanced Austrian theory in the realm of industrial organization by pointing out the fiction of a monopoly price (a consistent subjectivist position). Independent of the market process, the theorist, Rothbard points out, cannot know what a monopoly price would be; and therefore, theorists can only discuss the differences between market prices and government-regulated prices—there is no other meaningful analytical distinction.¹⁸

Rothbard has advanced Austrian theory in the realms of industrial organization and public economics.

Rothbard has also advanced Austrian theory in the field of public economics or social welfare theory. By demonstrating the flaws in standard social welfare theory and the hidden ethical judgments embodied within standard analysis, Rothbard has exposed a serious flaw in existing welfare economics. He has stressed the need for economists to offer a systematic ethical defense of their policy positions.¹⁹

In his work on industrial organization and welfare economics, Rothbard has improved upon the Austrian tradition, but has also contradicted Mises, who believed in the concept of resource monopoly and the allocative inefficiencies that result from such a market condition²⁰ (though I should add that neither he nor Kirzner has derived the implication that this justifies anti-trust

legislation) and that economic policy could be advocated completely independent of ethics, and that natural rights theory was nonsense. Nevertheless, in both these areas, Rothbard improved Austrian theory by going beyond Mises.

But Rothbard has also advocated positions which are clearly a detriment to Austrian theory. For example, in monetary theory Rothbard merely defines inflation as *any* increase in the supply of currency. Mises, on the other hand, coming out of the monetary tradition of the British Currency School, argued that inflation was an excess supply of money in relation to the demand for money.²¹ This understanding of monetary equilibrium theory paves the way for the theoretical and practical desirability of free banking and fractional reserve banking, as advocated by Lawrence White and George Selgin.²² Rothbard does not understand this and insists instead upon a 100 percent reserve gold standard. It also leads him to disregard the economic coordination problems that could result due to deflationary policy.²³

Perhaps the most fundamental problem in the Rothbardian interpretation of Mises is the secondary role that subjectivism finds in Rothbard. To Mises, subjectivism is fundamental:—to Rothbard, it is necessary to explain interest. To Mises, the market is the interaction of human minds—judgments interacting with other judgments.²⁴ To Rothbard, the market is individuals subjectively evaluating objective goods. This is a subtle shift in emphasis, but a shift that makes a huge difference,²⁵ which is, perhaps, most felt in the criticism of socialism.

Rothbard is a property-rights economist rather than a thorough-going Austrian.

To Rothbard, the criticism amounts to the objective bottom line that, under socialism, the planner cannot engage in profit and loss accounting. To Mises, this is merely the manifestation of the fundamental problem: that socialism must forgo the intellectual division of labor which exists in the market.

The market, to Mises, as to Menger before and Hayek after, was the resultant of human interaction, but not of human design. The genius of Mises was in explaining how the often conflicting plans of separate and diverse individuals are brought into coordination with one another through the operation of the market order. The institutions of the market, money prices and profit and loss accounting, etc., serve as “aids to the human mind” and promote the cooperation in anonymity that is fundamental to peaceful social existence. Rothbard, on the other hand, views the market much more as the product of pure reason. He, in fact, denies spontaneous order and views the market and social cooperation, in general, as the result of human intentionality.²⁶

Thus, it seems much more accurate to refer to Rothbard as a property-rights economist rather than a thorough-going Austrian. His emphasis is always upon Lockean property rights and the implications for trade which we derive through reason.²⁷ In this regard, Rothbard is a libertarian economist rather than an economist who has come to libertarian conclusions. He does not appreciate the purely economic defense of the market order, but instead focuses upon the economic implications of the private property order or its violation. Subjectivism is not fundamental to Rothbard’s thought, but merely a better way to explain interest rates.

**ROTHBARDIAN LEGAL CODE OR *NOMOS*
(THE LAW OF LIBERTY)**

Rothbard’s down-playing of the spontaneous ordering of social activities has profound implications not only in his economic analysis, but also in how he views the operation of law in a free society. Ironically, perhaps the leading advocate of individualist anarchism is in reality no anarchist at all, while one of the leading defenders of traditional classical liberalism might provide the most articulate statements of the operation of law in a truly free society—statements which can be utilized to buttress the Rothbardian vision of an individualist anarchist society.

Rothbard, in both *For a New Liberty* and *The Ethics of Liberty*, bases the legal foundation of a

free society upon the non-aggression axiom. He attempts to deduce the social ethics of liberty from the axiom of self-ownership. But his analysis of law is too simplistic a social theory, not because his suggestion for competing courts is unrealistic, but rather because his concepts of moral consensus and established legal code represent pseudo-anarchism and are in violation of the libertarian tradition that recognizes the spontaneous emergence of social cooperation.²⁸

Law and principles of just conduct, rather than being products of pure reason to which people are converted, evolve over time and take on new meaning as they are applied in new circumstances to resolve social conflicts. This recognition of the spontaneous ordering of social cooperation does not demean reason—in fact, it upholds man's reason in ordering his own affairs. What it does deny is that the complex order of society is a result of reason and human design. The order that emerges under a system of division of labor and private property was not the result of anyone's design or intention, but was the composite of all the separate strivings of individuals to realize their purposes and plans.²⁹

As Ludwig von Mises wrote more generally: "History is made by men. The conscious intentional actions of individuals, great and small, determine the course of events insofar as it is the result of the interaction of all men. . . . But the historical process is *not* designed by individuals. *It is the composite outcome of the intentional actions of all individuals.*"³⁰

The complex phenomena of social institutions such as language, law, money, and the market system are examples of spontaneous order. And the primary task of the social theorist is to answer the question: "How can it be that institutions which serve the common welfare and are extremely significant for its development come into being without a common will directed toward establishing them?"³¹ It is to answering this question which F.A. Hayek has devoted much of his life work.

Hayek, in *Law, Legislation and Liberty*, Vol. 1, pays considerable attention to the evolution of law within social interaction. He contrasts legislative law with the evolution of judge-made law

or *nomos*.³² (It is this discussion of Hayek's that gave rise to the very name of this particular magazine.) "Individual liberty," Hayek argues, "seems to have flourished chiefly among people where, at least for long periods, judge-made law predominated" (p. 94). The institution of the judge is to work within an already existing order and to resolve conflicts that disturb that existing order.

The Rationalist Constructivism of the Rothbardian legal code does not allow for the diversity of human purposes.

The purpose of the rule of law is not to serve as a means for any particular purpose, but to provide the conditions for the successful pursuit of most purposes. "The values which rules of just conduct serve will thus not be particulars but abstract features of an existing factual order which men will wish to enhance because they have found them to be conditions of the effective pursuit of a multiplicity of various, divergent, and unpredictable purposes" (p. 105).

On the other hand, legislative law is an instrument for the pursuit of particular purposes. And, as Hayek has pointed out, "the predominance of this interpretation [of the purpose of law] has become one of the chief causes of the progressive transformation of the spontaneous order of a free society into the organization of a totalitarian order" (p. 114).

Hayek argues that the coincidence of opinion concerning just rules will emerge through the interaction of individuals within ongoing social cooperation. Implicit rules of conduct will be respected among the various individuals before agreement is reached upon articulated rules.

"It is only as a result of individuals observing certain common rules," Hayek argues, "that a group of men can live together in those orderly relations which we call a society. It would therefore probably be nearer the truth if we inverted the plausible and widely held view that law derives from authority and rather thought of all authority as deriving from law—not in the sense

that law appoints authority, but in the sense that authority commands obedience because (and so long as) it enforces law presumed to exist independently of it and resting on a diffused opinion of what is right" (p. 95).

This statement provides an excellent backdrop to discuss the operation of a truly free legal system—free market provision of legal services—and buttresses much of what Rothbard has to say. But it is also firmly based upon a profound understanding of the spontaneous ordering of social interaction.

Randy Barnett has provided perhaps the best integration of the Rothbardian idea of free market provision of legal services with a Hayekian understanding of the spontaneous emergence of law and order.³³ But there is much more work to be done.

The rules of social conduct in a truly free society must be elastic enough to stretch (but not break) to allow for the diversity of human wants and purposes—to promote the flourishing of the creative human spirit. At the same time, however, the rules must be "rigid" enough so that the internal predictability of the social order, which the rule of law is intended to preserve, is not threatened. The Rationalist Constructivism of the Rothbardian legal code and the moral conversion of society to libertarian values does not suffice in this endeavor.

It is, of course, true that, if everyone were a libertarian, then we would have a libertarian society—but it is trivial. On the other hand, merely declaring that "whatever evolves is good" implies embracing the status quo—an extremely undesirable prospect. A new critical theory (not in the Marxist sense) is warranted; a critical theory that embraces the radicalism of Rothbard and upholds the rights of man, but at the same time seeks to employ the profound understanding of social order represented in the writings of Menger, Mises and Hayek.³⁴

CONCLUSION

Murray Rothbard is a great champion of individual liberty even though he may not provide the depth of social analysis that is found in either Mises, Hayek, or Israel Kirzner.

His intuition on social policy runs far beyond his analysis, and he is obviously capable of conducting very high level scholarship—as is evidenced in some of his earlier works—but he has chosen to be a polemicist for future generations of libertarians and turned his back on the academic community of his own time. His social analysis has suffered as a result, but this has also freed him to explore policy alternatives that, only now, in the late 1980's, the academic community is capable of discussing.

Rothbard's writings have generated intellectual excitement for the systematic study of liberty.

The majority of young Austrians are Rothbardians in the sense of exploring the policy implications of uncompromising individual liberty. They differ from Rothbard in that they bring to their analysis a more patient and careful attitude toward scholarship. The scholarly examples of Kirzner and Ludwig Lachmann have prevented this new generation of Austrian economists from confusing correct intuition with completed argument.

Rothbard's writings have generated intellectual excitement for the systematic study of liberty, but his own productive work does not suffice. Instead, it serves as a catalyst for research and future scholarship, and that is no small accomplishment.

The Menger, Mises and Hayek tradition is being extended and improved by this flourishing of thorough scholarship that has been generated by the revival in Austrian economics since the late 1970's. Ideas and policies that Rothbard has been advocating in his pamphlets, essays, and books for decades are finally being explored with the respect that they deserve.

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(Notes for this article begin on page 49.)

Notes to "Economists and Liberty: Murray N. Rothbard," pages 28 to 34

1. For a fascinating and entertaining discussion of the early libertarian movement see Jerome Tuccille, *It Usually Begins with Ayn Rand*, San Francisco: Cobden Press, 1984 [1971].

2. For a discussion of Rothbard's contribution to libertarian thought and a bibliography of his writings see David Gordon, *Murray N. Rothbard: A Scholar in Defense of Freedom*, Auburn: Ludwig von Mises Institute, 1986.

3. This was the height of the Keynesian dominance of professional economics. Rothbard was only one of several free market scholars who were rather rudely treated by the academic world for upholding principles of individual liberty.

Besides the ill treatment of Mises and Hayek, which I have documented before, it should also be mentioned that during the 1960's the entire economics faculty at the University of Virginia, and especially those members of the Thomas Jefferson Center for the Study of Political Economy (G. Warren Nutter, James M. Buchanan, Gordon Tullock, Ronald Coase, and Leland Yeager), was persecuted by the University administration for their views. See William Bright, "Creating the 'Virginia School': Charlottesville as an Academic Environment in the 1960s," *Lectures on Virginia Political Economy*, Center for the Study of Public Choice, George Mason University, 1986.

4. See Sheldon Richman, "Commentator on Our Times: A Quest for the Historical Rothbard," Institute for Humane Studies, mimeo 1985, for an in-depth analysis of Rothbard's research for the Volker Fund.

5. *Liberty*, Vol. 1, No. 6, p. 53.

6. See his essays on praxeology in *The Foundations of Modern Austrian Economics*, edited by Edwin Dolan, Kansas City: Sheed & Ward, 1976.

7. See *Human Action*, Chicago: Henry Regnery, 1966 [1949], pp. i-10, 236-237.

8. See Richard Ebeling, "The Roots of Austrian Economics," *Market Process*, Vol. 5, No. 2, Fall 1987, pp. 20-22.

9. Along with his Kantian defense of the structural categories of the mind, Mises argued against the positivists by evoking the realm of intersubjectivity, i.e., the life-world. "The positivist must not overlook the fact that in addressing his fellow men he presupposes—tacitly and implicitly—the intersubjective validity of logic and thereby the reality of the realm of the alter Ego's thought and action, of his eminent human character" (*Human Action*, p. 24). He attributes this argument to the phenomenological sociologist Alfred Schutz.

10. By "radically empirical" Rothbard is merely making the point that we are born into the world and experience the world; therefore, our theory of human action is not based upon some arbitrary axiom, but grounded in the empirical world in which we all live. See, in particular, Rothbard's essay, "Praxeology as the Method of the Social Sciences," in *Individualism and the Philosophy of the Social Sciences*, San Francisco: Cato Institute, 1979. This article, I would like to add, was originally published in 1973 in an edited volume by Maurice Natanson entitled *Phenomenology and the Social Sciences*. It seems that Rothbard understands the philosophical roots of praxeology (as the footnotes in the above piece clearly demonstrate), but just wishes to forget nowadays.

11. Compare Rothbard, *Ludwig von Mises: Scholar, Creator, Hero*, Auburn: Ludwig von Mises Institute, 1988 and *Human Action*, p. 1-10. This is more than a point of antiquarian interest.

Mises saw himself within several traditions of economic analysis, most notably the tradition of Menger and Bohm-Bawerk. But he also drew tremendous insight from the work of the Swedes, in particular, Knut Wicksell, and the British Currency School of monetary theory, and several American writers, such as Frank Fetter and Herbert Davenport.

Mises did not invent modern economics or praxeology; he made perhaps some of the most important contributions to its development, but it was, in his opinion, part of an ongoing intellectual quest. He did not close the system of thought, leaving for Rothbard only to dot the i's and cross the t's. Economics and social inquiry into the human condition was an ever changing and ongoing endeavor.

As Mises stated, "Science does not give us absolute and final certainty. It only gives us assurance within the limits of our mental abilities and the prevailing state of scientific thought. A scientific system is but one station in an endlessly progressing search for knowledge. It is necessarily affected by the insufficiency inherent in every human effort. But to acknowledge these facts does not mean that present-day economics is backward. It merely means that economics is a living thing—and to live implies both imperfection and change" (*Human Action*, p. 7).

12. This has increasingly become a habit of Rothbard's in the last five to eight years. It is no small coincidence that this polemic against the main body of current Austrian scholarship came *after* the break with the Koch factions of the Austrian and libertarian movement and the establishment of the Mises Institute, which competes with the other (Koch supported) centers of Austrian economic scholarship (the NYU program and the Center for the Study of Market Processes at George Mason University) for financial contributions and students.

The criticism of modern Austrian economics, however, has moved recently from the polemics in libertarian publications to academic outlets, and Rothbard has some of the faithful joining the attack (such as Hans Hoppe and Walter Block). See, for example, Rothbard's introduction to the Mises Institute edition of Mises' *Theory and History*, 1985.

More recently, Rothbard and Hoppe have attacked some variants of the modern Austrian movement. See Rothbard, "The Hermeneutical Invasion of Philosophy and Economics," *The Salisbury Review*, September 1987, pp. 12-19, and Hoppe, "In Defense of Extreme Rationalism: A Review of Don McCloskey's *The Rhetoric of Economics*," *Review of Austrian Economics*, Vol. 3, forthcoming 1989.

13. See "The Myth of Free Banking in Scotland," *Review of Austrian Economics*, Vol. 2, 1988. Rothbard raises some very important historical questions about the Scottish experience, but implicit in his criticism is the belief that free banking as proposed by White or George Selgin is somehow inherently inflationary. Rothbard has long had an ethical criticism of the fractional reserve system: but, as far as the economic criticism, it seems weaker upon theoretical investigation.

It should be interesting to see the reaction from the 100-percent-reserve advocates to George Selgin's *The Theory of Free Banking*, Totawa: Rowman and Littlefield, 1988, which argues the case on pure theory grounds as opposed to making his case within the context of a historical experience as did White.

14. Rothbard refers to the book as "a quasi-hermeneutical book by two ex-Misesians" ("The Hermeneutical Invasion," p. 18). Neither author, however, endorses hermeneutics as a philosophy (despite all the references within the book to philosophy of science, there is none to hermeneutical authors like Gadamer or Habermas or even Rorty).

Secondly, Rothbard asserts that these "ex-Misesians" claim to "have discovered the key to economics in the works of Henri Bergson." This is in reference to their discussion of the treatment of time in economics. Rothbard fails to add, however, that Bergson's discussion of the passage of time in human affairs also underlies Mises' discussion of time in *Human Action*, pp. 100, 219. For ex-Misesians, they seemed to at least have retained one of the master's insights. I wonder where their deviation is?

15. See *Mises: Scholar, Creator, Hero*, pp. 35-38 and 78. fn. 28.

16. I am referring here to phenomenology and hermeneutics. As Mises stated in 1944, "The importance of phenomenology for the solution of the epistemological problems of praxeology has not been noticed at all" ("The Treatment of Irrationality in the Social Science," *Philosophy and Phenomenological Research*, Vol. IV, June 1944, p. 530). Also see Mises, *Epistemological Problems of Economics*, New York: New York

University Press, 1981 [1933] for Mises's philosophical foundation for economics and the human sciences.

17. See G.B. Madison, "Hermeneutical Integrity: A Guide for the Perplexed," *Market Process*, Vol. 6, No. 1, Spring 1988, pp. 1-8; Tom Palmer, "Gadamer's Hermeneutics and Social Theory," *Critical Review*, Vol. 1, No. 3, Summer 1987, pp. 91-108.

18. See *Man, Economy and State*, 2 vols., Los Angeles: Nash Publishing, 1970 [1962], p. 586 ff.

19. See *Power and Market*, Kansas City: Sheed, Andrews and McMeel, 1977 [1970], p. 256 ff., and "Value Implications of Economic Theory," *American Economist*, Vol. 17, Spring 1973, pp. 35-39.

20. See *Human Action*, p. 357 ff.

21. See *Theory of Money and Credit*, Indianapolis: Liberty Press, 1980 [1912], p. 160 ff.

22. See Selgin, *The Theory of Free Banking*, p. 52 ff.

23. See Steven Horwitz, "Misreading the 'Myth': Rothbard on the Theory and History of Free Banking," *Market Process*, Vol. 6, No. 1, Spring 1988, pp. 35-40.

24. Consider the following statement of Mises: "In the real world acting man is faced with the fact that there are fellow men acting on their behalf as he himself acts. The necessity to adjust his actions to other people's actions makes him a speculator for whom success or failure depend on his greater or lesser ability to understand the future. Every action is speculation" (*Human Action*, p. 113). Also see Richard Ebeling, "Expectations and Expectation Formation in Mises's Theory of the Market Process," *Market Process*, Vol. 6, No. 1, Spring 1988, pp. 12-18.

25. As Mises argued in *Human Action*, p. 3, the development of the theory of subjective valuation was "much more than the substitution of a more satisfactory theory of market exchange for a less satisfactory one."

26. This again is a recent development in Rothbard's thought. Compare the spirited defense of the "invisible hand" in *Man, Economy and State*, p. 440, fn. 18, with his recent criticism of the concept in "Adam Smith Reconsidered," *Austrian Economics Newsletter*, Fall 1987, p. 5 ff.

For a sarcastic but informative rebuttal of Rothbard's historical discussion of Smith, see David Levy, "On a Historiographic Device of Karl Marx Recently Improved by Murray Rothbard. Combined by the Proof of Existence of Time Travel," *Market Process*, Vol. 6, No. 1, Spring 1988, pp. 10-11.

27. This is even evident in *Man, Economy and State*, where he discusses the Lockean justification for property as the explicit foundation for private property and the ethical basis for free exchange of goods and services. See p. 67 ff., and p. 439, fn. 11.

28. Rothbard does not reject fully the notion of legal centralism, i.e., the idea that a central legal authority must govern human interaction, even though he advocates competing institutions of legal provision. The public consensus of natural rights serves the function.

Thus, Rothbard's system, in the final analysis, would be not much different from the Randian system of Galt's Gulch. The argument between Randians and libertarians over anarchism should really be no argument at all. Rand would not argue that in Galt's Gulch a government would be necessary and, if the world believed in libertarianism, then all the conditions for Rothbard's world would be met—they are the same. Rothbard's world is Galt's Gulch. But the world is not like that and the anarchist alternative is a viable alternative.

We do not need to live in a world where every other man believes as we do about fundamental values in order to advocate complete decentralization of human affairs. All we need is institutions that produce mutually reinforcing sets of expectations to maintain a semblance of order, and these institutions must serve as guideposts to individuals for their actions. Competition in the provision of goods, be they so-called public goods or private goods, serves this function. We have no a priori reason to believe that competition would not work in the defense industry—either national or local. It is time we explored these issues in more depth rather than proposing some religious conversion scheme for the mass of people.

For a historical discussion of legal evolution within a system of competing courts see Harold Berman, *Law and Revolution*, Cambridge: Harvard University Press, 1983. Also, for a discussion of an evolutionary approach to political theory that suggests that Smith and Hume, i.e., the Scottish moral philosophers in the classical liberal tradition, provide the best role model for social theory (even though the author himself is no libertarian), see Don Herzog, *Without Foundations: Justification in Political Theory*, Ithaca: Cornell University Press, 1985.

Hayek builds explicitly upon the tradition of Hume and Smith and devotes much of his research to the elaboration of the "unplanned" order that emerges in social interaction. This has led Hayek to argue for the denationalization of money. He has not argued for the denationalization of law, though he has argued that law has been corrupted by the State monopoly. It is for future scholars to carry this Hayekian research program even further.

29. Much controversy surrounds Hayek's later attempts to formulate this principle and his use of cultural evolution. See *Law, Legislation and Liberty*, 3 vols., Chicago: University of Chicago Press, 1973-1979, especially the epilogue to the third volume.

First of all, I think the criticism is misplaced because Hayek is talking about the co-evolution of reason and tradition in the epoch when man was first emerging from his pre-human condition (the alternative, it seems to me, is creationism—man's mind had to evolve over some period of time and that is what Hayek is talking about). Second, I think the best way to understand what Hayek is trying to get at is to *vic* much of volume 2 and the epilogue as a discussion of Mises' Ricardo's Law of Association, but from a non-rationalist perspective.

30. Mises, *Theory and History*, p. 159, emphasis added.

31. Carl Menger, *Investigations into the Methods of the Social Sciences with Special Reference to Economics*, New York: New York University, 1985 [1881], p. 146.

32. Rothbard, though, has been a critic of this approach for years. He contrasts not only legislative law with judge-made law, but also what he calls libertarian law, i.e., the non-aggression axiom. See his review of Bruno Leoni's *Freedom and the Law* in the *New Individualist Review*, Vol. 1, No. 4, Winter 1962, pp. 37-166.

33. See his "Pursuing Justice in a Free Society: Part I and II," *Criminal Justice Ethics*, Fall 1985 and Winter 1986.

34. An attempt to do just this is underway among many younger scholars and is represented in journals such as *Critical Review*. An explicit attempt to discuss these issues in depth was made by Chris Sciabarra, "The Precipice of Utopia: The Limits of Radical Theory," unpublished Ph.D. thesis, New York University, 1988. Sciabarra attempts to contrast the radicalism of Marx and Rothbard and provide an alternative Hayekian discussion that does not fall into the utopian pitfalls of either Marx or Rothbard.

*Peter Boettke's series on the Austrian economists will conclude
in the Spring 1989 issue of Nomos.*