

The Science of Liberty

An Interview with Murray N. Rothbard

AEN: Any recent thoughts on hermeneutics?

MNR: That's a history-of-thought question, since hermeneutics has been crushed by Hans-Hermann Hoppe and David Gordon. Part of their critique is that the hermeneuticists were unable to demonstrate in concrete terms how this new "turn," would improve our understanding of economics. But if they hadn't been challenged, they could have carried on for years.

AEN: The initial attraction to hermeneutics was Mises's link with certain rationalist phenomenologists. What parts of this link to you like and dislike?

MNR: The link was Alfred Schütz. He was a free-market phenomenologist and an anti-positivist. He did excellent work attacking the positivists for dismissing minds in favor of experiments. He would then point out that you need minds to conduct and verify the experiments. Before this, Brentano was pretty close to Menger and the Austrians. The Brentanoites taught logic, reason, the science of human action, affirmed that values exist, and pursued an objective analysis of subjectivity. Mises was always clear: its proponents don't understand economics. The thoughts of Dilthey, Windelbrand, Ricket, and Weber are useful for historical analysis, but not economic theory--*Verstehen* not *Vergriefen*. In the pursuit of subjectivism, you cannot throw out science and reason. As phenomenology developed, with few exceptions, it became irrationalist and collectivist.

The good parts of phenomenology are already a part of the Austrian tradition, as I pointed out in my article on praxeology for the Nathanson volumes, *Phenomenology and the Social Sciences*. The other economist, John O'Neill, who wrote for the volume produced pure irrationalist gabble. And there was little else useful in those two volumes. Kirzner was also asked to contribute to this volume, but he

turned it down, opining that Misesians should have nothing to do with phenomenology. I guess I was trying to be outreachy.

AEN: What is your view of Hayek's statement that all progress in economics has been in the direction of subjectivism?

MNR: It's true, but it hasn't been an upward climb. Early economic theory was rooted in the Italian, French, and Spanish traditions, which were subjectivist oriented. Then it shifted onto the terrible path by Smith and Ricardo and the British classical tradition, which is "objectivist"--values are inherent in production. There was a partial shift back to subjectivism, but it was blocked by Marshall, Mises brought back the subjective-value tradition, with time-preference, ordinal marginal utility, and all the rest. That's fine, but don't wipe out objective analysis. There is still a real world out there, with laws of cause and effect, and physical products being evaluated by people. Through all this, we've discovered that being anti-positivist is not enough. Subjectivism is not an absolute principle; it is a necessary but not sufficient condition for sound methodology.

AEN: Positivism was linked to socialism and interventionism. Do you now predict its decline?

MNR: It is difficult to say. It was central to socialism and planning in the same way praxeology is central to the free market. Positivism eliminates any kind of natural law principle--for example, that there are economic laws which can be transgressed only at your peril. With positivism, there is a tendency to leap into *ad hoc* economic theory.

By the time Friedman had written his famous article defending positivism, this view had already been rejected in philosophy. But it fastened on economics with an iron grip for about twenty years. This is fairly typical. By the time methods are transferred from one discipline to another, they have often been rejected by the original discipline. It is time for economics to throw out all analogies to the physical sciences.

AEN: How did *Man, Economy, State* come to be?

MNR: It ended up totally different from the way it started. After Mises had written *Human Action*, the Volcker Fund--which promoted classical liberal and libertarian scholarship--was looking for a college textbook that would boil it down and spell it out. Mises hardly knew me at the time since I had just started attending his seminar. I wrote a sample chapter, "Money: Free and Unfree." They showed it to Mises and he gave his endorsement. I then received a many-year grant to work on it. I thought it was going to be a textbook. But it grew and grew. New material kept coming in. As I kept going, I found ideas Mises had left out, or steps that were implicit in Mises that needed to be spelled out.

I gave periodic reports to the Volcker Fund. Finally they asked me: "Look, is this going to be a textbook or a treatise?" When I delivered a 1,900-page manuscript, they knew the answer. *Power and Market* was the final chapter called "The Economics of Violent Intervention." They asked me to cut it out because it was too radical. It was published separately years later by the Institute for Humane Studies.

AEN: Did you write the book in sequence?

MNR: Yes. I started with page one with methodology and it wrote itself.

AEN: Did anything get left out of the final book?

MNR: I took Chapter 5 out of *Man, Economy, and State*, which included the usual cost-curve analysis. I wrote the whole chapter before I realized that the approach I was taking was nonsense. So I started over.

AEN: Is there any doubt that Mises was your primary influence?

MNR: I didn't think so, but Joseph Salerno once gave a talk in which he said *Man, Economy, and State* is more Boehm-Bawerk-oriented than Mises's *Human Action*. I never thought of it that way, but it may be true. When I was spelling out capital theory, I used Boehm-Bawerk primarily. I didn't think about it since I thought Mises was a Boehm-Bawerkian and didn't see any contradiction. I would like to see Professor Salerno explore this. It's an example of the way a historian of economic thought can show something about a person's work that he himself didn't realize.

AEN: How many years were involved from the time you started working on *Man, Economy, and State* to the time it was published?

MNR: This is complicated. I received the grant in 1952, but shortly afterwards I had to finish my doctoral thesis under Arthur Burns. From 1953 to 1956 I was working partly on both. I finally finished *Man, Economy, and State* in 1960 and it was published in 1962.

AEN: How was your dissertation, *The Panic of 1819*, received?

MNR: Very well. In fact, much better than any other of my books. Maybe that's because I didn't analyze the causes. I only wrote about how people wanted to cure it. I could have done much more work on it, and there is still more to say, but I am still pleased with it. Plus, it is still the only book on the subject.

AEN: Were scholars anticipating the publication of *MES*?

MNR: Not really. Very few were even interested, except the Mises-seminar people and FEE-people like Larry Fertig and Henry Hazlitt. Most were non-economists or friends and admirers of Mises. They were caterers, lawyers, clothing manufacturers. other than Kirzner, Spadaro, Sennholz, Raico, Riesman, and the Greaves, there was no Austrian movement to speak of.

AEN: Did you ever get discouraged and say "Why am I doing this?"

MNR: No. Any chance to write a book or meet new people was terrific, But I was lonely. Mises was in his sixties, Hayek and Machlup were in their fifties, and I was in my twenties. There was nobody in between. With the possible exception of Baldy Harper, who was a libertarian, but whose Austrian knowledge was limited, there was a missing generation. It had been wiped out by the New Deal.

AEN: If we do an "It's a Wonderful Life" experiment--the state of Austrian economics without *Man, Economy, and State*--it looks pretty grim.

MNR: That's an interesting point. Of the economists, Sennholz became a real-estate speculator, Spadaro didn't write much, Riesman became a Ricardian, and Hayek had drifted into murky philosophy and teaching social thought. Kirzner was doing good work on entrepreneurship, but nobody was doing methodology, monetary theory, capital theory, or much else.

AEN: What were your thoughts on Mises's review of *MES* when it appeared in the *New Individualist Review*?

MNR: I liked it, but he didn't say much about the book. I would have preferred him to go into more depth.

AEN: Was he bothered by some of your corrections and of his theories?

MNR: I don't know because he never said. Mises and I had only two friendly arguments. One was on

monopoly theory where he wound up calling me a Schmollerite. Although nobody else in the seminar realized it, that was the ultimate insult for an Austrian. The other argument was on his utilitarian refutation of government intervention. I argued that government officials can maximize their own well-being through economic interventionism, if not those of the public. He in turn argued that those kind of politicians wouldn't survive popular vote, thus changing the terms of debate.

AEN: Mrs. Mises seems to think you had foreign-policy differences with Mises.

MNR: In all the years I attended his seminar and was with him, he never talked about foreign policy. If he was an interventionist on foreign affairs, I never knew it. This is a violation of Rothbard's law, which is that people tend to specialize in what they are worst at. Henry George, for example, is great on everything but land, so therefore he writes about land 90% of the time. Friedman is great except on money, so he concentrates on money. Mises, however, and Kirzner too, always did what they were best at.

AEN: Did Hayek ever attend Mises's seminar in the United States?

MNR: No. They had a very strange relationship. Hayek began making very arcane anti-Misesian comments in his books, but nobody knew it, not even Mises. For example, it turns out that the anti-Walras footnote in *Individualism and the Economic Order* was really an anti-Mises footnote, as Hayek admitted a few years later. When Mises read the article, he called Hayek up and said he liked it as an attack on formalism and equilibrium. He didn't realize that some of it was directed against him. Gradually, Hayek became more and more anti-Misesian without actually refuting what he had to say. Yet Mises and Hayek are still linked in academic minds.

AEN: What happened in the twelve years between *MES* and the Hayek Noble Prize?

MNR: Very little. There were various informal meetings, with Walter Block, and R.J. Smith, who went through a period of leftism, but is doing good work again. During the fifties, we had a whole group in New York, but it disbanded when Hamoway, Raico, and Liggio went to graduate school.

There was another group coming up in the sixties, students of Robert Lefever's Freedom School and later Rampart's College. At one meeting, Friedman and Tullock were brought in for a week, I had planned to have them lecture on occupational licensing and on ocean privatization, respectively. Unfortunately, they spoke on these subjects for 30 minutes and then rode their hobby horses, monetary theory and public choice, the rest of the time. I immediately clashed with Friedman. He had read my *America's Great Depression* and was furious that he was suddenly meeting all these Rothbardians. He didn't know such things existed.

AEN: What happened to the Volcker Fund?

MNR: The Volcker Fund collapse in 1972 and destroyed a whole basis of libertarian scholarship. The president was a follower of R.J. Rushdoony, who at the time was a pre-millennialist Calvinist, later converting to postmillennialism. He has sent me a Rushdoony book, which I blasted. Combined with other reviews, he became convinced that he was surrounded by an atheist, anarchist, pacifist conspiracy to destroy Christianity. so he closed down the Volcker Fund in early 1962. It was a great tragedy. L14S was supposed to be established with the \$17 million from the Volcker Fund to be an endowed think-tank, publishing books, sponsoring students, funding research, and holding conferences. Instead, Baldy had to start it from the bottom.

AEN: How did *Ethics of Liberty* come about?

MNR: I received a Volcker Fund grant to write it. It was supposed to be a reconciliation of libertarianism with conservative culture and personal ethics, what is called paleolibertarianism today. But as I worked on it, it turned into an anarcho-libertarian treatise. By the early sixties, conservatives

had become pro-war and the whole idea of reconciling us with them had lost its attraction for me.

AEN: What about *Conceived in Liberty*?

MNR: After the Volcker Fund collapsed, I got another grant from the Lilly Endowment to do a history of the U.S., which I worked on from 1962-66. The original idea was to take the regular facts and put a libertarian assessment on everything. But once I started to work on it, I found many facts had been left out, like tax rebellions. So it got longer and longer. It turned into the five volume *Conceived in Liberty*, covering the Colonial period to the Constitution. I don't chart this stuff in advance. I don't like to work that way. I go step by step and it keeps getting longer. After Arlington House published volume four, they went out of business. Volume five, on the Constitution, was written in longhand and no one can read my handwriting.

AEN: What about conferences during the early seventies?

MNR: The first was conducted at Cornell, the summer of 1973. Forest MacDonald and myself were giving papers. At the 1974 conference, we added Garrison, Rizzo, O'Driscoll, Salerno, Ebeling, Hutt, Grinder, and others. It was held in a tiny town in Vermont, which we called a Walrasian-General-Equilibrium town because there was no action, no competition, no interest rates. In 1976, we had a wonderful conference at Windsor Castle, but after that there was nothing.

AEN: Just so that we're clear, between the 1940s and the early 1970s, you were the only one that did serious scholarly work in Austrian economics?

MNR: Well, Henry Hazlitt did some excellent work. But then he was uncredentialed. Hutt did some, but it wasn't really Austrian. Kirzner had written some serious articles. But basically the tradition had stagnated. By the late seventies, Austrian economics was considered Hayekian, not Misesian. Without the founding of the Mises Institute, I am convinced the whole Misesian program would have collapsed.

AEN: How is your history-of-thought book coming?

MNR: Fine. The first thinker I deal with is Aristotle, but I don't spend much time on the Greeks. I leap to the early Christians. Economic theory became pretty advanced in the Middle Ages and only starting falling apart later. Most history of thought assumes linear growth. But I am trying to show that there is slippage.

Unfortunately, there is a hole in my book. I got to the English mercantilists and Francis Bacon, which took me to 1620, but then bogged down and leaped ahead. This summer I am going to repair the hole. Aside from the hole, I have just finished the laissez-faire French school. The next step is cover the pre-Austrians of the mid-19th century.

AEN: There seems to be this lengthening pattern in your projects.

MNR: Maybe so. What is happening to my history of thought is the same thing that happened to *Man, Economy, and State* and *Conceived in Liberty*. It was originally going to be a short book on the history of thought, taking the same people the orthodox people do, reversing the judgment, and giving the Austrian view. Unfortunately I couldn't do that since Smith was not the beginning of economics. I had to start with Aristotle and the Scholastics and work up. I found more and more people that couldn't be left out.

AEN: How many volumes have been done so far?

MNR: I can never estimate things like this, but probably two or more. And I keep underestimating how much work I have to do. I thought I could finish off Marx in one chapter, but it took five. So I

cannot give a projected date for finishing.

AEN: You have apparently taken an interest in religion as it affects the history of thought.

MNR: Religion was dominant in the history of thought at least through Marshall. The Scholastics emerged out of Catholic doctrine. And John Locke was a Protestant Scholastic. I am convinced that Smith, who came from a Calvinist tradition, skewed the whole theory of value by emphasizing labor pain, typical of a Puritan. The whole objective cost tradition grew out of that.

AEN: Why has all this been overlooked?

MNR: Because the 20th century is the century of atheistic, secularist intellectuals. When I was growing up, anyone who was religious was considered slightly wacky or even unintelligent. That was the basic attitude of all intellectuals. This is the opposite of earlier centuries's attitudes when everyone was religious.

The anti-religious bias even shows up in the interpretations of the history of art, for example, in the secularist and positivist interpretation of Renaissance painting. When Jesus is painted as a real person, they assume that means it is a secular work. whereas the real point of the Renaissance was to emphasize the Incarnation, when God became flesh. Even if art historians aren't interested in theology, they should realize that the people they study were. The same is true for economics. In doing history, you cannot read your own values into the past.

AEN: The anti-socialist revolution seems to be the fulfillment of everything Austrians have worked for.

MNR: That's right. We are living through revolutionary times. Its like living through the French or American revolution and being able to watch it on television every night. Now the difference between the United States and the Eastern Bloc is that the United States still has a communist party.

AEN: It also seems to be a vindication for your article, "Left, Right, and the Prospects for Liberty."

MNR: Damn right. Western conservatives cannot take credit for this. They had always argued that socialist totalitarianism could not reform from within. only the libertarians considered and gloried in the possibility.

AEN: Did you see the seeds of anti-socialist revolt when you visited Poland several years ago?

MNR: Yes. In the first year I attended, several dissident Marxists were there. But the next year, the organizers said they didn't need them. We went expecting dissident socialists and we found followers of Hayek, Friedman, Mises, and Rothbard. The economists and journalists that I met with had read many of my books and were publishing underground books on free markets.

AEN: Now that Marxism is dead where it has been tried, is there anything that is useful and important that should be remembered or kept?

MNR: There is one good thing about Marx: he was not a Keynesian. I recently asked Yuri Maltsev, former Soviet economist, why is it that things have seem to have fallen apart so rapidly in the Soviet union in the last twenty years. He said in the last twenty years, the leaders of the Soviet Union have relaxed the money supply and have used inflation to solve short-term problems. That spelled doom for the system.

AEN: What about the prospects for liberty and a freer economy in this country?

MNR: Everything is getting worse, and very rapidly. Few favor central planning, but the battleground has shifted to interventionism. There are three areas of interventionism which are the big issues, now and in the future. First, prohibitionist and the attempt to eliminate all risk. If, for example, automobiles cause accidents, they should be eliminated. Second, egalitarianism and idea that victim groups should get special treatment for the next 2,000 years for previous oppression. Third, environmentalism or antihumanism. The implicit idea is that man is the lowest creature and every creature or inanimate thing has rights.

AEN: How are things in Vegas?

MNR: Great. Every semester we get more students, and the Austrians are at the top of their classes. We have a *Human Action* study group. I'm teaching a graduate seminar in Austrian economics this term and Hoppe will be teaching a seminar in the spring.

AEN: What area of Austrian economics is most and least advanced?

MNR: Methodologically, we are pretty advanced, thanks to the work of Hoppe. But we can always use more since that is what sets us apart from the rest of the profession. And Salerno is doing great work on calculation.

Banking theory, however, has taken a very bad turn with free banking. We have to show that this is the currency and banking school argument rehashed. They have adopted the banking school doctrine, that the needs of business require an expansion of the money supply and credit. Moreover, the free banking people violate the basic Ricardian doctrine that every supply of money is optimal. Once a market in a money is established, there is no longer a need for more money. That is really the key point.

AEN: What about the argument that 100% reserves requires government intervention?

MNR: I regard fractional-reserve banking as an intervention in the free market, just as any crime against person and property is intervention. In the case of banking, the government is allowing the crime to be committed.

But how do we address the needs of trade argument, those who say that business has a demand for credit? Well, there are many things demanded on the market that are also crimes. There may be a demand for killing redheads. And there is certainly a demand for government loot. What's so great about market demand? if it is not within a framework of non-aggression, there will always be a demand for fraud and theft.

The free bankers accept a kind of David Friedmanite anarchism, where there is no law, only people engaging in exchange and buying people out. If you have a group that wants to kill redheads, the redheads will have to buy them off if they value their hair. I think this is monstrous, the kind of anarchism would indeed be chaos. Just because there is a demand for something doesn't mean it should be fulfilled.

AEN: One of the criticisms of this position is that it is normative and not economic.

MNR: Yes, but the response to 100% reserves is that bank entrepreneurs have the right to offer whatever fraction of deposits they want, which is also a normative position. Any discussion of policy is inherently normative. You can't have free markets unless you have property rights,

AEN: Why isn't private deposit insurance viable?

MNR: The same reason insuring any bankrupt industry isn't viable. You cannot insure entrepreneurs because they engage in uninsurable risk. You can reasonably predict how many fires there will be in

New York; the unlucky few who get burned can dip into the pool of resources. But entrepreneurship is not heterogeneous; it is completely unpredictable, and each attempt is non-random. The entrepreneur assumes the risk. If an insurance company insures it, it becomes the entrepreneur. Who then insures the insurer? In the case of banks, either they don't need insurance, since they are 100% covered, or they are uninsurable because they are taking entrepreneurial risk.

AEN: You have been critical of White's book on free banking.

MNR: The White book says the Scottish banking system was more successful than the English system. But he doesn't say one word about prices, inflation, or business cycles. His only statistic is that there were fewer bank failures in Scotland than Britain. But what's so great about not having failures? An industry that doesn't have failures might be doing poorly. What if we applied this test to the Soviet Union, where no industries fail?

When you say one banking system is more successful than another, it seems the test should be less inflation and fewer business cycles. Yet this is never mentioned.

AEN: What role do you think *RAE* is playing?

MNR: It is finding and gathering Austrian economists, getting them to write, and developing economic doctrine. Kluwer Academic Publishers is very excited about it. They wanted to bring the journal out three times a year. Now that we are coming out twice a year, many more people are interested. It is already the only Austrian academic journal in the history of thought and it has become the most important publishing medium. Kluwer is also publishing a series of books in Austrian economics, for which we are the general editors.

AEN: what should young Austrians be concentrating on?

MNR: Adding to the theoretical edifice. Rent theory is underdeveloped. And the theory of the transition from socialism to capitalism is crying out for more work. Most importantly, we should never stop refuting mainstream economics.