

## Mises and the Role of the Economist in Public Policy

di Murray N. Rothbard

In contemplating the life and career of Ludwig von Mises, one is struck by the nobility and grandeur, the high courage, of his lonely and lifelong struggle on behalf of truth and laissez-faire. [1] It is easy to advocate free markets now that Mises's prophetic analysis of nearly seven decades ago has been demonstrated to be correct to virtually everyone. For socialism is collapsing all over the world and even the socialists themselves have acknowledged the abject failure of their cherished economic and social system. It is easy for anyone to follow the tide of events, and to join in the mainstream of opinion. But what led Mises to fly in the teeth of both intellectual and popular opinion, and to pursue his lonely and seemingly doomed struggle until the very end?

In the ultimate sense, of course, no outside person, no historian, no psychologist, can fully explain the mystery of each individual's free choice of values and actions. There is no way that we can fully comprehend why one man trims his sails to the prevailing winds, why he "goes along to get along" in the infamous phrase, while another will pursue and champion the truth regardless of cost. We can only regard the nobility of the life and actions of Ludwig von Mises as an exemplar, as an inspiration and a guide for us all.

We can, however, discuss certain intellectual problems that arise when we consider that Mises was a passionate champion of laissez-faire and militant critic of the rising tide of statism and collectivism. First, we can ponder what might be called "the Rappard Problem," raised in a *Festschrift* for Mises by his close friend and colleague, William E. Rappard, head of the Graduate Institute of International Studies of the University of Geneva. [2] Mises was a utilitarian, who did not believe in the existence of a rational or objective ethic. Indeed, the bulk of economists in the last two centuries have been utilitarians. Most utilitarians, however, take a cautious, *ad hoc*, cost-benefit view of public policy, and eschew the broad, sweeping policy commitments that are more typical of those who do believe in an absolute or objective ethic for public affairs. I have elsewhere been critical of the adequacy of Mises's solution to this problem: Mises as utilitarian economist accepts common social ends-i.e. abundance and prosperity-but points out that statist measures will cripple that prosperity while freedom and property rights will advance it. [3] However, I am concerned here not to belabor that critique but to ponder how Mises *as a person* could continue to fight so passionately in the face of a general social rejection of his arguments and of his entire world outlook. Mises's well-known "intransigence" shines in particularly stark contrast to all too many other utilitarian economists who are ready to bend the knee and to perform as efficiency experts in the service of whatever goals "society" (translated as the State) demands of them.

A second corollary puzzle has been raised by some modern Austrian economists. Why didn't Mises stick to his forte, to the pure, ethereal realms of economic theory: to praxeology, marginal utility, business cycle theory and the rest? Why did he "lower himself"-and Austrian economics-by descending from the realm of high scholarship to the muddy, far less respectable, more provocative and controversial realm of politics? Why didn't he stick to the ivory tower of value-free theory and scholarship?

In the first place, the latter question, although common, totally distorts the role of the economist in public policy. The founders of economics were (a) all deep in advocacy of political programs, and (b) often participated directly in government policy. Turgot was an ardent advocate of laissez-faire as well as a great pioneer theorist; and his two-year term as economic minister and reformer proved to be the last chance for the ancien regime to reform itself before the French Revolution. Adam Smith's work was largely prompted by a critique of mercantilism and adherence to a moderate free-market policy; and he ended his years happily as one of the leading customs commissioners in Scotland. J. B. Say, as a young man, was one of the leading members of the ruling French Tribunat during the Directory period, and he virtually founded the dominant nineteenth-century school of

French laissez-faire economics. James Mill, in addition to his leading role in classical British theory, was a high official of the East India Company in governing India, and he was the undisputed leader (if from outside Parliament) of a bloc of twenty to thirty Philosophical Radicals in Parliament during the 1830s. David Ricardo, tutored by Mill, not only followed his mentor on deep interest in public policy; he was also an ardent monetary reformer as well as monetary theorist. After he wrote his *Principles*, he was persuaded by Mill to enter Parliament to promote the Radical cause. Mill's son, John Stuart, succeeded his father as leader of the Parliamentary Radicals, as well as to his office in the ruling East India Company. In France, the Anglo-French treaty of 1860, the high-water mark of free-trade in Europe, was negotiated by the laissez-faire economist Michel Chevalier.

But how about after the mid-nineteenth century? Couldn't we say that then, when economics became more specialized and academic, and theory became more arcane, that theorists retired from policy and repaired to their ivory tower? Not really. First, among the statist dissenters from orthodoxy, there was an overriding preoccupation with policy. The German Historical School were conscious "monarchical socialists," and their leader, Gustav Schmoller, referred, quite correctly, to himself and his colleagues at the University of Berlin as the "intellectual bodyguard of the House of Hohenzollern [of Prussia]." Marx and Marxism have been, of course, *political* economy in every sense. The American Institutionalist professoriat, men such as Richard T. Ely and John R. Commons were constantly in and out of government posts, beginning with the setting up of welfare and regulatory state interventions in Wisconsin at the turn of the twentieth century.

Among more mainstream theorists, the Austrian professors were largely devoted to the free market and hard money, and often assumed governmental posts. Bohm-Bawerk was several times Minister of Finance in the Austro-Hungarian Empire, and Menger was the tutor and mentor of Crown Prince Rudolf, whom Menger had primed to pursue free-market policies if he had become Emperor. Even an aggressively pure theorist such as Schumpeter served a stint (disastrously) as Finance Minister of post-World War I Austria.

Even among mathematical neoclassical economists, whose pure formalism might incline them away from substantive political views, Vilfredo Pareto was a militant laissez-faire liberal and battler for free trade, heavily influenced by the French anarcho-capitalist Gustave de Molinari. Despairing of freedom and the free market after the turn of the twentieth century, Pareto retreated into cynical critiques of political action, but he was never *not* interested in political economy. [4] Irving Fisher of Yale, the grandfather of the Chicago monetarist school, was always tinkering, always advocating schemes of government intervention and planning from commodity baskets and other proposals for stabilizing the "price level" and thereby allegedly providing a fixed yardstick to "measure" values, to plans for inflation to prohibition and to purging the world of "such iniquities of civilization as alcohol, tea, coffee, refined sugar and bleached white flour..." [5]

Later in the century, of course, Keynes and his Keynesian followers have been nothing if not political; Keynes served in key government posts, and his followers have been happy to fill the planning positions that have been opened up by propagation of theoretical Keynesian doctrine.

So where is this alleged tradition of requiring economic theorists to take up the monkish cowl and abstain from all thoughts or implications of their work, let alone take direct posts in government? Moreover, the call for political abstinence is almost always directed to economists *outside* the mainstream politics of the day. If economists advocate generally accepted policies, this is somehow subsumed under the rubric of "value-neutrality"; only adhering to policies *opposed* to the conventions of the day is decried as an intrusion of unclean political considerations into the virtuous realm of economic science.

Ludwig von Mises had the bad luck to be one of the foremost champions of laissez-faire in the history of economic thought, but during a century of aggravated statism. All his life he swam vigorously against the dominant ideological and political statist tides of his age. The twentieth century has been the century of socialism, collectivism and government-propelled inflation, and Mises battled valiantly against them all, in the realm of academic theory and in the world of practical politics.

Those of us who met Mises in his American years, after World War II, were familiar with his justly legendary *privatseminar* in Vienna that had provided the setting and stimulus for the most important work going on in Europe during the 1920s in economics and in the social sciences. But we had little idea how active and influential he had been in those years in government and in public policy.

Part of the reason for Mises's focus on government work was practical; for it is to the abiding disgrace of academia, both in Austria and the United States, that this brilliant, creative, and remarkably productive scholar and inspiring teacher was never able to obtain a paid professorial post. [6] Mises received the Ph.D. in 1906, and his full-time position, from 1909 until he left Vienna in 1934, was as economist for the Vienna Chamber of Commerce. [7] Unlike similarly named groups in the United States today, the Chambers were a form of economic parliament created by the Austrian government, with delegates elected by businessmen and financed by taxation. The task of the Chambers was to give economic advice to the government. The various local and regional Chambers in Austria elected delegates to a General Assembly. By the turn of the twentieth century, economists working in the secretary's office of the Vienna Chamber of Commerce, the most important of the various Chambers, had become important economic advisers to the government. By the end of World War I, Ludwig von Mises had become the principal economic adviser to the Austrian government.

After the publication in 1912 of his path-breaking work on monetary theory, *The Theory of Money and Credit*, Mises was appointed to a teaching position at the University of Vienna, where he lectured and taught a seminar in economic theory for two decades. But his position was that of a *privatdozent*, i.e., unpaid, and he was passed over four times for a paid university chair. His highly influential and prestigious *privatseminar* was a purely private creation of his own, and he held it one evening a week at his offices in the Chamber of Commerce. In his academic post, Mises and his students were systematically belittled and discriminated against by his chaired colleagues. [8]

In his memoirs, Mises wrote that "The Chamber offered me the only field in which I could work in Austria." He states that he did not aspire to a career in government service, but that a "university professorship was closed to me inasmuch as the universities were searching for interventionists and socialists." [9] Yet despite the unpopularity and vast resistance to his views, and his independent status unaided by political parties, Ludwig von Mises, by dint of his brilliance and energy, commanded the attention and respect, if not the agreement, of the Austrian state. In addition to Mises's numerous tasks at the Chamber dealing with Austro-Hungarian finance and trade relations before the War, and debt problems afterwards, Mises's major thrust as the chief adviser of the Austrian government was to wage a titanic battle against statism and inflation. Mises writes that:

"In the Austria of the postwar world I was the economic conscience. Only a few helped me and all political parties distrusted me. And yet, all secretaries and party leaders sought my advice and opinion. I never tried to press my opinion on them. I never sought out a statesman or politician. Unless I was formally invited I never appeared in the lobbies of Parliament and government departments. Secretaries and party leaders visited my Chamber office more often than I visited theirs". [10]

Mises's most important activity as economic adviser to the Austrian government was a gallant and determined effort to stop the rampant inflation, and hence to reverse the hyperinflationary thrust of post-war Austrian monetary policy. Here Mises had one staunch ally: the noted business economist and jurist Wilhelm Rosenberg, a former student of Carl Menger. Valiantly the two fought against the Austrian policy of huge deficits and the creation of paper money. If Mises and Rosenberg had not fought with such determination, the Austrian *krone* would have gone the way of the hyperinflation of the German mark in 1923. By 1922, after three years of struggle, Mises and Rosenberg succeeded in getting the Austrian currency stabilized at the rate of 14,400 paper *krone* to one pre-war gold *krone*, the *krone* of the gold standard. If not for their battle, the *krone* "in early 1922 would have fallen to one-millionth or one-billionth of its gold parity in 1892," as would happen in Germany a year later. [11] The problem was that the stabilization was a half-way house,

and despite Mises's best efforts, the Austrian government continued a policy of inflation, bank credit expansion, deficits and welfare-state measures that steadily and gravely consumed the capital of Austria, and also pushed the commercial bank into an ever-more inflated and shakier financial position. As the Austrian banks became more inflated during the late 1920s, Mises was prevented, because of his official position, from speaking out publicly and thereby endangering their already highly wobbly status. Mises was caught in an impossible Catch-22 trap:

"In public these things could not be freely discussed, as the credit reputation of the Austrian economy had to be protected with care. It would have been very easy, indeed, to present the facts in such a way that everyone would have seen the necessity for halting the policy of capital consumption, but such action would have undermined the banks' foreign credits making instant bankruptcy unavoidable.

Therefore, I was forced to use extraordinary restraint in my efforts to change economic policies lest I frighten the public and jeopardize the credit of banks and industry. This restraint guided my conduct during the...period from the crown [*krone*] stabilization in 1922 to the collapse of the *Kreditanstalt* [bank] in the spring of 1931. The worse the situation grew through the continuation of the disastrous policy, the greater became the danger of a credit crisis and the more important it became not to disquiet the foreign markets. [12]

It would of course have been better if the banking system and the *krone* had gone hang long before, and Mises, in retrospect and in despair, acknowledged that fact.

[Because of his and Rosenberg's efforts] the Austrian currency did not collapse like the German currency in 1923. The crackup boom did not occur. Nevertheless, the country for many years had to suffer from the destructive consequences of continuous inflation....The consumption of capital could not be halted. We met too much resistance; our victory [in 1922] came too late. It delayed the ultimate collapse by several years, but could no longer save Austria."

And again: "I was the economist of the country. This does not mean that my recommendations were followed or that my warnings were heeded. Supported by only a few friends, I waged a hopeless fight. All I achieved was to delay the catastrophe". [13]

In a moving passage, Mises recalls that he was often reproached by his friends for being too unyielding, "because I made my point too bluntly and intransigently, and I was told that I could have achieved more if I had shown more willingness to compromise." But Mises responds that "I could be effective only if I presented the situation truthfully as I saw it," and concludes magnificently that, to the contrary, "as I look back today at my activity with the Chamber I regret only my willingness to compromise, not my intransigence." [14] In contrast to so many of his acquaintances and colleagues, Mises was the reverse of a person out to seize the main chance. Indeed, he notes that, even though the universities were closed to him, his reputation as a monetary economist after the publication of *The Theory of Money and Credit* led to several lucrative offers of employment by large banks in Vienna. "But until 1921 I always declined for the reason that they refused to give assurance that my advice would be followed; after 1921 I declined because I considered all banks insolvent and irretrievably lost. Events bore me out." [15] Why did Mises do it? Why did he continue to battle for the truths of laissez-faire against all odds, against the tides of history, against the *Zeitgeist* itself, in what seemed a hopeless cause? As I've written above, in the last analysis we cannot fully explain or rationalize the choices of an individual; we can only admire or revile them. But more can be said about Mises's passionate devotion to laissez-faire and his assaults upon its host of enemies. For Mises was not really a utilitarian in the standard cost-benefit, calculating sense. He was much more. He was not even a "rule utilitarian" who believed that a certain set of rules was more conducive for human happiness than another set. For Mises was committed to the view that the struggle for laissez-faire was literally a life-and-death struggle for mankind, for human civilization, for the existence of the human race itself. And here lies the importance of Professor Salerno's paper. [16] Salerno points out two fundamental building-blocks of Mises's view of human society, which he saw consisted of market exchange based on the

division of labor. First, that the survival, growth and flourishing of the human race depends on the progressive extension and expansion of the free market and the increasingly productive division of labor, what Mises called the developing world “oecumene” or “social organism.” A crippling or contraction of that oecumene, a suppressing or thwarting of that free market, spells impoverishment, death, and destruction of the human race. Second, in stark contrast to Hayek’s increasing emphasis on this social organism as a “spontaneous order” that can only be preserved by blindly accepting existing “evolved” rules, Mises realized that this “social evolution” of the market and of the division of labor rests on the *conscious* social cooperation brought about by human reason and human will. In short, Hayek applies the metaphor of biological evolution of allegedly “higher,” or at least fitter, species. Mises, on the other hand, realizes that human action is radically different from the motions and interactions of stones, atoms, or genes. Human action is individual and rational, in the sense of conscious and purposive, designed to improve a person’s lot. As Salerno quotes from Mises’s *Human Action* : “Human society is an intellectual and spiritual phenomenon. It is the outcome of a purposeful utilization of a universal law determining cosmic becoming, viz., the higher productivity of the division of labor.” F.A. Hayek’s emphasis on spontaneous order, on the *unintended* rather than intended consequences of human action, on irrationalism rather than reason, is grounded on the implicit premise that human beings are not consciously acting men but rather are tropistic organisms, reacting *unconsciously*, in accordance with evolved rules. Hence, for Hayek, at least for the “Hayek II” of the 1940s and afterwards, influenced by the neo-positivist empiricism of Karl Popper, the sharp dualistic Misesian distinction between human action and the motion of stones, atoms, etc. falls away, and human action and the physical sciences are treated with the same epistemology. [17]

But if we reject Hayek’s bizarre underlying concept of unconscious action, and we acknowledge that men’s actions are conscious and purposive, then, as David Gordon perceptively puts it, people may consciously desire to have a market system, and their coordinated action in maintaining it is then *not* an “unintended consequence of human action.” They may avoid harmful intervention, not because they blindly follow traditional rules, but because they understand the way the market works. [18]

It should be noted that Hayek’s notion of unconscious, spontaneous order was grounded in the eighteenth-century Scottish Enlightenment, in particular Adam Ferguson’s stress on “the results of human action, but not of human design.” It is little known that Ferguson’s concept did not originate in attempts to explain the market, language, or other similar human institutions. Instead, Ferguson, a close friend of Adam Smith, and his fellow youthful ministers of the Presbyterian Church of Scotland, were trying to explain what for them was a deeply traumatic experience: the Jacobite Rebellion of 1745, in which Jacobites captured Scotland and their beloved city of Edinburgh, and almost triumphed for the cause of the Stuarts losing only at the bloody Battle of Culloden. In sermons after the battle, Ferguson and the Rev. Hugh Blair, another lifelong friend of Smith, felt forced to explain how it is that God permitted consciously evil people such as the Catholic Jacobites to almost triumph over the true Presbyterian Church. Their answer: that the Catholic Jacobites, though consciously evil, were unwittingly carrying out God’s deeper purpose, i.e., to shake the Presbyterian Church out of its apathy and loss of zeal. In this way, wicked men may pursue consciously evil goals, but are unconsciously carrying out providential ends, the unintended social consequences of human action, decidedly not of human design.

Thus, in his sermon preached before the general assembly of the Church of Scotland on May 18, 1746, scarcely a month after Culloden, Hugh Blair explained that God had beheld a Scotland blessed with a “happy Constitution” and a “pure Religion,” but yet sunk into religious apathy, “Luxury,” and the “Corruption of Manners.” As a result, God sent forth the “*wrath of man*,” i.e., the passions of wicked men, in the form of the Jacobites, in order to “work a Cure for all these Evils.” Prodded out of their apathy, the Presbytery revived; hence, God “Makes the unruly Passions of bad Men *work* in a secret Way, towards Ends, by them altogether unseen.” [19]

Out of apparent evil, actual good. Unintended consequences indeed! It is not surprising that Hegel, avidly reading Ferguson's sociology, a development of this theme for human institutions, should be inspired to develop his crucial notion of the "cunning of Reason," in which inevitable and providential historical forces ever guide apparent or conscious evil into achieving the actual good.

To return to Mises, if the market economy and society is the work of men's reason, this means that to sustain and develop that market, the general public must continuously renew their agreement, must understand and continue to understand the importance of laissez-faire, and of sustaining the all-important world oecumene. As Salerno summarizes Mises's point: "At any point in history, the evolving oecumene is the *rational and intended* outcome of an intersubjective process, whose purpose is the amelioration of scarcity. It exists not as a thing unto itself but as a complex of social relations which emerges from a common orientation of individual human actions....Because such relations thus emanate from the will, they must be daily affirmed and recreated in human thought and conduct." [20]

Their different epistemologies led Hayek and Mises to very different strategies on how best to sustain and defend a free market economy. To the tropistic analyst and irrationalist Hayek, the role of the philosopher is to understand that reason is feeble and plays very little role in human affairs, and then to instruct general intellectuals and finally the public in the wisdom of doing nothing and relying on the instinctive wisdom (because "evolved") of traditionally received social roles. Mises, on the contrary, as someone who understands the pervasive role of reason and purpose in human affairs, believes it to be the role of philosopher and intellectual to instruct the public in the wisdom and the necessity of sustaining and expanding the free-market oecumene, and of the importance of consulting one's "rightly-understood" interests in cultivating that oecumene.

Whereas Hayek conceives of spontaneous order and being unconscious of consequences as both natural and a blessing, Mises realizes that people being heedless of the beneficial consequences of the free-market economy is a great danger to that market, and therefore, ultimately, to themselves. The short-run, narrow self interest that drives people to loot and cripple the free market is due to their lack of consciousness of the importance of the free market economy. As Salerno quotes Mises: "antisocial conduct which shakes the very foundations of social cooperation...is the outcome of a narrow-mindedness which fails to conceive the operation of the market economy and to anticipate the ultimate effects of one's own actions." [21] In contrast to Hayek, then, Mises sees it as vital for the social philosopher and the economist, *not only* to expand scholarship and advance high theory, *but also* to educate businessmen and members of the general public in economics and in the vital importance of keeping the market economy free and unhampered. As Salerno sums up Mises's insight therefore, "to the extent that social norms, policies, and institutions are 'undesigned', are not completely and correctly thought in advance and accounted for in a logically consistent ideology, to that extent does the continued existence of society become problematic." [22]

For Mises, then, in contrast to Hayek, the fact that many if not most of the consequences of the market economy and society are unintended is a cause for alarm and not celebration. To save that economy, and therefore human existence and civilization, it becomes necessary for economists, social philosophers, and intellectuals to spread the knowledge of those consequences so that they become fully rational and *intended* by most of the public.

The only way to educate the public fully and successfully, Mises realized, was for those who understand the vital importance of the market economy to spread far and wide the *ideology* of classical liberalism, of what would now be called libertarianism. Mises posited the liberal principle "of peaceful trade and exchange" as the great ideology combating the "militarist-imperialist principle," the "hegemonic principle" of coercion and organized theft. As Salerno pointedly quotes from Mises's *Socialism*: "In Liberalism humanity becomes conscious of the powers which guide its development. The darkness which lay over history recedes. Man begins to understand social life and allows it to develop consciously..." [23] It is only a fervently held ideology that allows mankind to overcome desires for coerced special privileges, and to alert them to the vital importance of

rebuffing any attempts at wresting special privileges by others. In particular, classical liberal ideology provides the *way out* of the Public Choice trap; the idea that since individuals and consumers are “rationally ignorant” of each small area of their pocketbook, that special groups, each passionately interested in their own aggrandizement over the consumer, are bound to win out, and that therefore the democratic process is inherently hopeless. But Mises saw the democratic process as a method by which classical liberal ideology could be spread to the general public via, for example, the political party system. It should not be forgotten that, before the twentieth century, political parties, in the United States and Western Europe, were vehicles for propagation of a strongly held ideology. In the seventeenth, eighteenth and nineteenth centuries, classical liberal ideologies were often reflected in political parties and in mass movements. If the Public Choice trap could be overcome in the past, there is no reason why it cannot be surmounted in the future. The Public Choicers fall into their trap by dismissing ideology as ever and always trivial and unimportant. Mises, knowledgeable in history as the Public Choicers are not, would never make that mistake.

On the other hand, Mises also realized that the original classical liberals were absurdly optimistic in believing that continuing social progress and expanding liberty were inevitable. Living in the twentieth century and battling all his life against the *Zeitgeist*, Mises could scarcely fall into this particular error of deterministic complacency about the future. On the contrary, Mises realized that man is free to choose foolishly and self-destruct by opting for restrictionism, statism or collectivism. Hence, Mises could not fall back on the Hayekian “pyramid” of focusing only on theorists, and waiting calmly for decades or centuries until the alleged wisdom of doing nothing to alter traditional rules seeps downward toward the masses. Mises was acutely aware that there was not time for that, that the general public, especially in a democratic world, must always be made aware of the vital importance of sustaining the market and of the disastrous consequences of statism, and must be enlisted into a classical liberal ideology. [\[24\]](#)

It should now be clear how Mises’s epistemology and social philosophy reinforced his inner tendency to battle unwaveringly for the truth. Civilization and human existence are at stake, and to preserve and expand it, high theory and scholarship, though important, is not enough. Especially in an age of galloping statism, the classical liberal, the advocate of the free market, has an obligation to carry the struggle to all levels of society, to government, to the general public, to political parties. Not for Mises the view that general education or even political action was somehow beneath his dignity as a theorist and scholar. Not for Mises the artificial separation between theory and practice; with civilization at stake, and with freedom vitally important, there was no time for such pussyfooting. And even though Mises strongly believed that economic science was value-free, and that values are not objective, he also passionately committed himself to the ideology, yes the values, of classical liberalism, of freedom, peace, and free markets. For unlike standard utilitarianism, his insight into social affairs taught him that human life and happiness were at stake, and he was willing to take the “non-objective” step of coming out squarely in favor of human life and high living standards. Never for Mises, in short, the gathering of academic robes around him or refusing to engage in political controversy in the name of “value freedom.” Economic science may be value-free, but men can never be, and Ludwig von Mises never shirked the responsibilities of being human.

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## Note

[1] See Murray N. Rothbard, *Ludwig von Mises: Scholar; Creator; Hero* (Auburn, Ala.: The Ludwig von Mises Institute, 1988).

[2] William E. Rappard, "On Reading von Mises." in M. Sennholz, ed., *On Freedom and Free Enterprise: Essays in Honor of Ludwig von Mises* (Princeton: D. Van Nostrand, 1956), pp. 17-33.

[3] See Murray N. Rothbard, *The Ethics of Liberty*, 2nd ed. (Atlantic Highlands, N.J.: Humanities Press, 1983). pp. 205-13.

[4] On this neglected aspect of Pareto, see P. Bucolo, ed. *The Other Pareto* (London: Scolar Press, 1980); and S. E. Finer, "Pareto and Pluto-Democracy: the Retreat to Galapagos," *American Political Science Review* 62 (June 1968): 441}-50.

[5] Irving Norton Fisher, *My Father Irving Fisher* (New York: Comet Press, 1956), pp. 146-47. Also see Murray N. Rothbard, "World War I as Fulfillment: Power and the Intellectuals," *Journal of Libertarian Studies* 9 (Winter 1989), pp. 107-08, 115.

[6] Mises's only paid academic post was at the University of Geneva, where he held a chair of International Economic Relations at the Graduate Institute for International Studies from 1934 until he fled Nazi-occupied Europe to the United States in 1940. The chair was only for a one-year term, though it was renewed each year until Mises left Geneva.

[7] From 1909 to 1914, Mises was also an economist for the Central Association for Housing Reform. Mises soon became the Association's expert on real estate taxation, concluding that the abysmal housing conditions in Austria were brought about by high tax rates on incomes and capital gains in real estate. Mises pointed out that lowering the high taxes on real estate would raise its market value and thereby lead to greater investment in housing. He succeeded in pushing through a substantial reduction in housing taxes. Mises notes that his work with the Central Association "offered me great satisfaction." Ludwig von Mises, *Notes and Recollections*, Hans F. Sennholz, trans. (Spring Mills, Penn.: Libertarian Press, 1978), p. 21.

[8] See Rothbard, *Ludwig von Mises: Scholar; Creator; Hero*, pp. 25-27.

[9] Mises, *Notes and Recollections*, p. 73.

[10] *Ibid.*, p. 75.

[11] *Ibid.*, p. 78

[12] Mises notes that the main banking adviser of the Christian-Social government of Austria, Gottfried Kunwald, saw the basic problem but refused to act to diminish the venal role of himself and his powerful friends. "He [Kunwald] saw the true situation the banks and big enterprises and occasionally made remarks that were no less pessimistic than mine. But he was convinced that to present the plain truth about the state of affairs would diminish his influence with the secretaries, through whom he secured licenses and other favors for his clients, and thus jeopardize his income as an attorney and financial agent" (*ibid.*, p. 82).

[13] *Ibid.*, pp. 78, 74. Mises's other political accomplishment, in addition to stabilizing the *krone* in 1922, was to singlehandedly persuade his old friend Otto Bauer, the radical Marxist who was the head of the Social Democratic Party, to suppress an Austrian Bolshevik takeover that he had previously welcomed during 1918-19. Mises convinced Bauer that the Allies would shut off the Viennese food supply, and doubtless Mises was aided in this crucial effort by the fact that Bauer had been a long-time student at Bohm-Bawerk's seminar, and had conceded that Bohm was right in his refutation of the labor theory of value (*ibid.*, pp. 16-19, 39-40, 77).

[14] Ibid., p. 74.

[15] Ibid., p. 73.

[16] Joseph T. Salerno, "Ludwig von Mises as Social Rationalist," p. 215.

[17] In contrast, Hayek's *Counter-Revolution of Science* (1952; Indianapolis: Liberty Press, 1979), originally published as journal articles before World War II though collected in book form after the war, was decidedly Misesian, or Hayek I. Hayek, though, never accepted Mises's praxeology, which is based on Mises's fundamental view of the nature of purposive, rational human action.

[18] David Gordon, "The Origins of Language: A Review," *Review of Austrian Economics* 3 (1989), p. 246. Gordon adds that, despite Hayek, the market may well have originated through conscious adoption. Hayek has been using the origin of language as his model how and why social institutions allegedly originated tropistically, outside conscious human design. In his important review, however, Gordon cites recent studies of the origin of language by G. A. Wells and J. N. Hattiangadi that vindicate the eighteenth-century view of language as conscious human invention. Ibid., pp. 245-51.

[19] Richard B. Sher, *Church and University in the Scottish Enlightenment: The Moderate Literati of Edinburgh* (Princeton: Princeton University Press, 1985), p. 42. The Scottish Enlightenment, on the other hand, was not a monolith. The distinguished Common Sense philosopher Thomas Reid and Lord Monboddo, eminent leaders of the Enlightenment, both held, for example, that language was a conscious human invention (Gordon, "The Origins of Language; A Review," pp. 246-49).

[20] Salerno, "Ludwig von Mises as Social Rationalist," p. 215.

[21] Ibid., p. 242.

[22] Ibid., p. 243.

[23] Ibid., p. 244.

[24] Many years ago, some American Austrians were involved in what proved to be an abortive attempt to found a graduate, degree-granting school of Austrian economics. Mises was to be the President, and those of us who were then "young" Austrians constituted the Board of Trustees. Mises kept exhorting us that, in the pursuit of scholarship, we must not neglect giving periodic lectures to businessmen and to the general public. At the time I was a bit puzzled at his insistence, but now it is clear that this program fit in with Mises's epistemology, his rationalist social philosophy, and his overall strategy.