The Humane Studies Review: A Research and Study Guide

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David M. Hart • Editor

Introduction

In this issue of *The Humane Studies Review* we begin a series of bibliographical essays on the Austrian School of Economics. We do so for the following reasons: First, we have been asked numerous times, by students and faculty alike, to offer more information about the Austrian School. Secondly, we feel that certain approaches and emphases developed by the Austrians over the past century have generated tools of analysis that render insights into the nature of social phenomena and of economic processes that one does not readily find apparent in the more orthodox approaches to the disciplines of economics.

Please note that we are suggesting neither that only Austrian economics generates useful tools, nor that only Austrian economics renders insight into economic processes. The respective theoretical cores of classical and neo-classical economics have clearly offered to the world numerous important insights without which we could never begin to understand the world in which we live. What we are saying is that we think Austrian tradition has generated a unique set of analytical tools, which capture aspects of complex social phenomena that remain impenetrable to neo-classical techniques.

We are also convinced that the Austrian tradition was sadly ignored from the early 1930s, when F. A. Hayek reigned at the London School of Economics, until its recent resurgence, starting in the mid-1970s when Hayek was awarded the Nobel Prize in economics. We hope that this series will in fact add to the lively interest in the Austrian School that has been recently exhibited throughout the world.

We are pleased to present this series by Richard M. Ebeling of University College, Cork. We are sure that the reader will learn a great deal about this rich tradition of economic thought by following Mr. Ebeling's suggestions.

In the first volume, *HSR* began three series of articles: "An Outline of the History of Libertarian Thought," "The Basic Tenets of Real Liberalism," and "An Introduction to the Literature of Natural Law and Natural Rights." These will continue in future issues of the *Review*.

We are extremely interested in hearing your thoughts on *HSR*. In what ways do you find it helpful? How could it be improved to better suit your research and study needs? We are particularly interested in hearing from those of you who are using *HSR* for study groups on various college campuses in America and abroad.

Austrian Economics —An Annotated Bibliography

by Richard M. Ebeling

Part I: The Austrian Economists

Introductory Readings

Friedrich von Hayek, "Economic Thought: The Austrian School," in the *International Encyclopedia of the Social Sciences*, ed. by David Sills (New York: Macmillan Co., 1968) vol. 4, pp. 458-462.

Ludwig M. Lachmann, "The Significance of the Austrian School of Economics in the History of Ideas," in *Capital, Expectations and the Market Process*, ed. by Walter E. Grinder (Kansas City: Sheed, Andrews and McMeel, 1977) pp. 45-64.

Ludwig von Mises, *The Historical Setting of the Austrian School of Economics* (New Rochelle: Arlington House, 1969).

Emil Kauder, *A History of Marginal Utility Theory* (Princeton University Press, 1965).

Henry Seager, "Economics at Berlin and Vienna," *Labor and Other Essays* (Freeport: Books for Libraries Press, 1968) pp. 1-29.

In the history of economic thought various schools are distinguishable by the common core concepts or ideas that can be seen as binding the contributions of a group of writers into one tradition. In the case of the Austrian School this is exemplified by: a persistent adherence to methodological individualism and methodological subjectivism, and an emphasis on their application to a variety of economic problems. These applications have extended from the logic of human action and choice to the understanding of the spontaneous formation of market and social orders, and the processes of change, adjustment and coordination in alternative institutional settings.

During the fifty years following 1870, the Austrian School economists focused upon a restatement of the theory of value in terms of the subjective valuations of market actors on the basis of the marginal principle. In opposition to the Labor Theory of Value of the Classical economists, they argued that value was not an intrinsic or objective quality embedded in an object, but rather value was bestowed upon an object by an evaluating mind. And, the Austrians said, it was an evaluation made at the "margin" of decision-making, i.e., the importance in terms of utility of the next (last) unit of a good that could be obtained or would have to be given up in an act of choice and exchange. The Austrians spun out the wider implications of the marginal concept by applying the theory to the explanation of capital and interest, and wages and rent. While the Austrians shared the marginal concept with the other founders of neo-classical economics, William Stanley Jevons and Leon Walras, the Austrians' unique and distinctive twist was an emphasis on the wider aspects of a subjectivist approach, specifically the subjectivism of knowledge, perceptions and intention from the point-of-view of the market actors. This led the Austrians to an interest in *the market processes leading to an equilibrium* rather than a mere specification of the conditions requisite for a state of equilibrium to exist.

In the twenty years following World War I the Austrian economists continued their investigations into what has usually been called economic dynamics, by analyzing the role of time in economic processes; by applying the subjectivist-marginalist approach to monetary phenomena; by studying business cycles in terms of a micro analysis of sequential change, error, and adjustment in the wake of monetary disturbances; and through penetrating critiques of the meaning and significance of "equilibrium" in the body of economic theory.

During the thirty years following the 1936 publication of Keynes' *The General Theory*, however, the Austrian School and its approach were eclipsed by the new interest in macroeconomics. Rather than focusing on causal relationships connecting individual transactors and markets, the analysis was shifted to the study of statistically-derived aggregate magnitudes, on the basis of which functional correlations were to be established for the purpose of both furthering theoretical understanding and assisting the implementation of stabilization policies. At the same time, microeconomic theory, under the influence of Walrasian and Paretian economics, was reduced to dry, mathematical formalism that returned a large portion of economic analysis to a study of *states of equilibrium* rather than *processes of markets*. In such an intellectual climate, the Austrian School was relegated by the economics profession to a small corner of the history of economic thought and was considered to represent an outdated stage of scientific development.

But over the last fifteen years doubts and uncertainties concerning the corpus of economics have resulted in a radical change in how the economics profession views the Austrian School. Having reached an analytical dead-end in their formulation of ever-more esoteric general equilibrium models, and experiencing growing concerns about the microeconomic foundations of a wobbly macroeconomics, a sizable number of economists has "rediscovered" the Austrian School. Furthermore, a new generation of Austrian School economists has made a conscious effort to pick up and advance the analytical strands that were severed during the Keynesian episode.

Historical Roots

A comprehensive history of the Austrian School and its members has yet to be written. The interested student, therefore, must draw from several sources to follow the School's evolution and development. Brief histories can be found in Friedrich von Wieser's "The Austrian School of Economics," in Henry Higgs, ed., *Palgraves Dictionary of Political Economy*, vol. I (London: Macmillan and Co., Ltd., 1926) pp. 814-818; and Friedrich A. von Hayek's "Economic Thought: The Austrian School," in David Sills, ed., *International Encyclopedia of the Social Sciences* (New York: Macmillan and Co., 1968) vol. 4, pp. 458-462.

The closest to a history of the Austrian School is Emil Kauder, *A History of Marginal Utility Theory* (Princeton University Press, 1965). Though far from comprehensive either in terms of content or interpretation, Kauder relates the Austrians to the development of utility theory over the centuries, discusses the specific contributions of the Austrians, and compares them with other marginalist schools in this century. Equally useful is R. S. Howey, *The Rise of the Marginal Utility School, 1870-1889* (Lawrence: University of Kansas Press, 1960); as the title suggests it covers only the earliest stages of the period and discusses the Austrians only in the context of the marginal concept, contrasting the Austrian formulation with that of others in the era. The Austrian chapters, however, contain a wealth of background material, though the author's interpretation and understanding of the Austrian position can at times be challenged. A fascinating account of life among the Austrians in the early 1890s was written by Henry Seager, who spent a semester at the University of Vienna in 1892-1893: "Economics at Berlin and Vienna," *Journal of Political Economy*, vol. I (March, 1893) pp. 236-262, reprinted in Seager, *Labor and Other Essays* [1931] (Freeport: Books for Libraries Press, 1968) pp. 1-29.

The particular social and intellectual environment in which the Austrian School arose in the Austro-Hungarian Empire is discussed by Ludwig von Mises in *The Historical Setting of the Austrian School of Economics* (New Rochelle: Arlington House, 1969). For the suggestion that socioeconomic position may have played a role in the emergence and form of the early Austrian School, see Erich Streissler, "Structural Economic Thought: On the Significance of the Austrian School Today," *Zeitschrift für Nationalökonomie*, Bd. 28 (1968) pp. 256-266. William M. Johnston held the view that Austrian sympathy for non-intervention in the market place originated with the impartiality which had been traditionally associated with the Josephenist bureaucracy, in "Economists as Bureaucrats," in *The Austrian Mind: An Intellectual and Social History, 1848-1938* (Berkeley: University of California Press, 1972) pp.76-87. Nikolai Bukharin, on the other hand, accused the Austrian School of protecting the vested interests of parasitic rentiers in his *Economic Theory of the Leisure Class* (New York: Monthly Review Press, 1972).

The relationships between the Austrians and on one hand, the Classical economists who preceded them, and on the other, the mathematical economists of the contemporaneous Lausanne School, are concisely explained by Ludwig M. Lachmann in "The Significance of the Austrian School of Economics in the History of Ideas," [1966] in *Capital, Expectations and the Market Process*, ed. by Walter E. Grinder (Kansas City: Sheed Andrews and McMeel, Inc., 1977) pp. 45-64.

There were important differences between the three marginalist co-founders. In particular, Menger placed a unique emphasis on the process of market adjustment rather than on the end-state equilibrium of that process. These differences are brought out by William Jaffé, in "Menger, Jevons and Walras De-Homogenized," *Economic Enquiry*, vol. 14 (Dec., 1976) pp. 511-524; and Erich Streissler, "To What Extent Was the Austrian School Marginalist?" in R. D. Collison, Black, A. W. Coats and Craufurd D. W. Goodwin, eds., *The Marginalist Revolution in Economics, Interpretation and Evaluation* (Durham: Duke University Press, 1973) pp. 160-175.

"The goal of scholarly research is not only the cognition *but also the* understanding *of phenomena. We have* gained cognition *of a phenomena when we have attained a mental image of it. We understand it when we have recognized the reason for its existence and for its characteristic quality (the reason for its* being *and its* being as it is*)."—Carl Menger,* Problems of Economics and Society

Menger: the Founder

The Austrian School began with Carl Menger and the publication of his *Principles of Economics* [1871] (New York: New York University Press, 1981). This and the only other complete book he published, *Problems of Economics and Sociology* [1883] (Urbana: University of Illinois Press, 1963), have served as the seminal core from which all later developments of the School ultimately stem. How the young Menger, while a civil servant reporting on price movements, was led to the subjective theory of value by noticing the discrepancy between classical doctrine and the actual formation of prices is told by Friedrich von Wieser, "Carl Menger," *Palgraves Dictionary of Political Economy*, pp. 923-924.

Numerous essays have been written about Menger and his place in the history of economic thought. The ones most worthwhile consulting are: Friedrich A. Hayek, "Carl Menger," *Economica* (1934), and reprinted as the introduction to the New York University Press edition of Menger's *Principles*; George Stigler, "The Economics of Carl Menger," *Journal of Political Economy*, vol. 45 (April, 1937) pp. 229-250, reprinted in *Production and Distribution Theories, The Formative Years* (New York: Macmillan Co., 1941) pp. 137-157; and Joseph A. Schumpeter, "Carl Menger, 1840-1921," in *Ten Great Economists* (New York: Oxford University Press, 1951) pp. 80-90. For a less enthusiastic interpretation of Menger, see Frank H. Knight's "Introduction" to the first English edition of Menger's *Principles* (Glencoe: The Free Press, 1950) pp. 9-35. Henri-Simon Bloch, "Carl Menger: The Founder of the Austrian School" *Journal of Political Economy* vol. 48 (June, 1940) pp. 428-433, emphasizes what he sees as the similarities between Menger, Jevons and Walras as well as drawing attention to Menger's methodological writings. And Knut Wicksell, "Carl Menger" [1921] in *Selected Papers on Economic Theory*, Erik Lindahl, ed. (London: George Allen & Unwin, 1958) pp. 186-192, points out the revolutionary character of Menger's work.

Böhm-Bawerk and Wieser

If Menger was the founder of the School, its development and international recognition was due to the efforts of two young followers, Eugen von Böhm-Bawerk and Friedrich von Wieser. As students together they discovered Menger's *Principles* and immediately appreciated its importance.

Böhm-Bawerk's contribution centered on the careful working out of an Austrian theory of *Capital and Interest*, 3 vols. (South Holland: Libertarian Press, 1959). Embedded in volume two, *The Positive Theory of Capital*, is an elaborate and detailed discussion of the subjectivist basis of value and price, pp. 121-256. Also useful as background on the Austrians and their approach to value theory are Böhm-Bawerk's articles, "The Austrian Economists" [1891] and "The Ultimate Standard of Value" [1894] reprinted in *Shorter Classics of Böhm-Bawerk* (South Holland: Libertarian Press, 1962).

Joseph Schumpeter includes an extended and very complimentary evaluation of Böhm-Bawerk's works in *Ten Great Economists*, pp. 143-190. For a more critical discussion see George Stigler's *Production and Distribution Theories*, pp. 179-227. Böhm-Bawerk's participation in Austro-Hungarian public life is briefly discussed in Friedrich von Wieser's "Eugen von Böhm-Bawerk," *Palgraves Dictionary of Political Economy*, pp. 825-826. Bohm-Bawerk's policies as Minister of Finance of Austria at the turn of the century are explained in some detail by Alexander Gerschenkron in *An Economic Spurt That Failed* (Princeton: Princeton University Press, 1977) pp. 85-127, where the author focuses on what he sees as the detrimental consequences of Böhm-Bawerk's "fiscal conservativism."

Wieser's two principal works were *Natural Value* [1889] (New York: Augustus M. Kelley, 1971) and *Social Economics* [1914] (New York: Augustus M. Kelley, 1967), the latter being the only systematic treatise published by a member of the Austrian School before World War I. Wieser's two fundamental contributions were the concept of opportunity cost and the theory of imputation, i.e., the determination of the distributional shares of the factors of production. Wieser twice defended the Austrian approach to value, cost, and price in English; "The Austrian School and the Theory of Value," *Economic Journal* vol. 1 (March, 1891) pp. 108-121, and "The Theory of Value," *Annals of the American Academy of Political and Social Science*, vol. 2 (March, 1892) pp. 24-52.

W. L. Valk contrasted Wieser's imputation theory with John Bates Clark's marginal productivity theory in *The Principles of Wages* (London: P. S. King & Son, Ltd., 1928). A critical analysis of Wieser's approach is offered in George Stigler, *Production and Distribution Theories*, pp. 158-178. For a more favorable interpretation see Wesley C. Mitchell, "Wieser's Theory of Social Economics," [1915] in *The Backward Art of Spending Money* [1937] (New York: Augustus M. Kelley, 1950) pp. 225-257. A summary of Wieser's life and work can be found in Friedrich A. Hayek, "Hayek on Wieser," [1926] in Henry William Spiegel, *The Development of Economic Thought* (New York: John Wiley & Sons, Inc., 1952) pp. 555-567; Schumpeter, "Friedrich von Wieser, 1851-1926," in *Ten Great Economists*, pp. 298-301; and Oskar Morgenstern, "Friedrich von Wieser, 1851-1926," [1927] in *Selected Economic Writings of Oskar Morgenstern*, ed. by Andrew Schotter (New York: New York University Press, 1976) pp. 481-485. Also worth consulting is Hans Mayer, "Friedrich Freiherr von Wieser," *Neue Österreich Biographie*, Bd. 6 (Wien: Amalthea-Verlag, 1929) which also contains a complete bibliography of Wieser's writings.

While Menger, Böhm-Bawerk and Wieser are commonly regarded as the late nineteenth-century giants of the Austrian School, there were a number of minor figures as well. A brief summary of them and their works can be found in Howey's *The Rise of the Marginal Utility School, 1870-1889*, pp. 161-172. Amplifying Howey's discussion are reviews by Henry Seager of Eugen von Philippovich, *Grundriss der politischen Oekonomie* in *Annals of the American Academy of Political and Social Science*, vol. 4 (July, 1894) pp. 168-179; by Edmund J. James of Emil Sax, *Grundlegung der theortischen Staatswirtschaft* in *Political Science Quarterly* vol. 5 (March, 1890) pp. 166-169; and by Henry Raymond Mussey of Franz Čuhel, *Zur Theorie von den Bedürfnissen* in *Political Science Quarterly*, vol. 24 (June, 1909) pp. 323-325.

Two excellent summaries of the Austrian theory of value, cost, and price as it was presented in the writings of these early Austrians can be found in James Bonar, "The Austrian Economists and Their View of Value," *Quarterly Journal of Economics*, vol. 3 (Oct., 1888) pp. 1-31; and William Smart, *An Introduction to the Theory of Value, Along the Lines of Menger, Wieser and Böhm-Bawerk* [1891] (New York: Augustus M. Kelley, 1965).

The Interwar Period

The Austrian School, while maintaining certain fundamental conceptions in common, broke into two branches in the interwar period. Some aspects of this division are discussed in an article critical of the Austrian approach in general by Alan R. Sweezy, "The Interpretation of Subjective Value Theory in the Writing of the Austrian Economists," *Review of Economic Studies*, vol. 1 (1934) pp. 176-185.

One branch of the Austrian School transformed economics into a formal analysis of the allocation of given means for the satisfaction of given ends which were ranked in order of importance. The basis for this formulation was Hans Mayer's psychological "Law of the Periodic Recurrence of Wants," and from this "law" an Austrian theory of consumption-period planning was constructed. The groundwork can be found in Mayer, "Untersuchung zu dem Grundgesetz der Wirtschaftlichen Wirtrechnung," *Zeitschrift für Volkswirtschaft und Sozialpolitik*, Bd. 2 (1922) pp. 1-23; and Mayer, Bedürfnis," *Handwörterbuch der Staatswissenschaften*, Bd. 2 (Jena: Gustav Fischer, 1924) pp. 450-456; and recapitulated in Mayer, "Zur Frage der Rechenbarkeit des Subjektiven Wertes," in *Wirtschaftstheorie und Wirtschaftspolitik, Festschrift für Alfred Amonn*, ed. by Valentin F. Wagner and Fritz Marbach (Bern: Francke Verlag, 1953) pp. 57-78.

Mayer's approach was adopted by Leo Schönfeld in his *Grenznutzen und Wirtschaftrechnung* (Wien: Manz'sche Verlags- und Universitäts-Buchhandlung, 1924); summarized by Paul N. Rosenstein-Rodan, "Marginal Utility," [1927] *International Economic Papers* vol. 10 (1960) pp. 82-83 and Rosenstein-Rodan, "The Role of Time in Economic Theory," *Economica*, vol. 1 (Feb., 1934) pp. 78-84; and extended by Oskar Morgenstern, "The Time Moment in Value Theory," [1935] in *Selected Economic Writings of Oskar Morgenstern*, pp. 151-167. On Hans Mayer, the reader should consult Alexander Mahr, "Hans Mayer—Leben und Werk," *Zeitschrift für Nationalökonomie*, Bd. 16 (March, 1956) pp. 3-16; and Wilhelm Weber, "Hans Mayer," *Handwörterbuch der Sozialwissenschaft*, Bd. 7 (Stuttgart: Gustav Fischer, 1961) pp. 364-365. On Schönfeld see Hans Mayer, "Leo Illy (Schönfeld)," *Zeitschrift für Nationalökonomie*, Bd. 14 (Oct., 1953) pp. 1-3.

The other branch of the Austrian School drew a sharp line between economics and psychology, viewing economics as a purely formal and logical analysis of action and choice. The non-psychological formulation in Richard Strigl's *Die ökonomischen Kategorien und die Organisation der Wirtschaft* (Jena: Gustav Fischer, 1923) was, however, analogous to Mayer's, i.e., an analysis of the allocation of scarce given means among competing given ends, but in which the psychological state of the individual and the social and technological circumstances under which the allocation was made were "given" datum within which the ends-means framework applied. On Strigl, see, F. A. Hayek, "Richard von Strigl," *Economic Journal* vol. 54 (June-Sept., 1945) pp. 284-286.

> *"Economics is not about things and tangible material objects; it is about men, their meanings and actions. Goods, commodities, and wealth and all the other notions of conduct are not elements of nature; they are elements of human meaning and conduct. He who wants to deal with them must not look at the external world; he must search for them in the meaning of acting men"—Ludwig von Mises,* Human Action

Ludwig von Mises

The leading and best-known member of this second branch of the Austrian School was Ludwig von Mises. Mises' formulation was of a more dynamic character, in that he adopted Max Weber's concept of "meaningful" behavior as purposeful or intentional conduct in which an individual initiated action on the basis of his *subjective* interpretation of circumstances. Rather than taking the ends and means as given, "purposeful conduct" was a broader concept that analyzed the logical process by which the individual constructed an ends-means framework within which economizing then occurred. This Misesian view emerged in a series of articles published as *Epistemological Problems of Economics* [1933] (New York: New York University Press, 1981) and was restated in a more complete and refined form in *Human Action, A Treatise on Economics* [1949] (Chicago: Contemporary Books, 3rd revised ed., 1966), *Theory and History* [1957] (New Rochelle: Arlington House, 1969), and *The Ultimate Foundation of Economic Science* [1962] (Kansas City: Sheed Andrews and McMeel, 1978). Mises viewed his other writings on monetary theory, comparative economic systems, and the market process as "applications" of his concept of action. A complete bibliography

The Institute for Humane Studies

Discovery and Development of Scholars of Liberty

1983 Programs

Fellowships & Awards

The Institute will award $4,000 nonresidential summer fellowships, the **F. Leroy Hill Faculty Fellowships**, for research in disciplines of traditional interest to the Institute, especially history and political and legal theory, as well as philosophy and economics. Research should involve the historical expressions, institutions, or principles of a free society and/or spontaneous social order. Fellowships are restricted to faculty in the early stages of their careers. Applications consist of a two-page research proposal, an updated vita, and copies of relevant publications. Awards will be made on the basis of the research proposal's originality and the applicant's potential to contribute to the scholarship of liberty. Applications must be postmarked before March 25, 1983. Fellows will be notified on or before April 21, 1983. Apply to Leonard P. Liggio, President, IHS.

The Institute is pleased to announce the **Excellence in Liberty Prizes** for the two term papers—one undergraduate and one graduate—which best demonstrate excellence in research on liberty or on a topic related to liberty, such as in history, political theory, sociology, literature or economics. Each awardee will receive $500. Papers must be submitted by faculty members, and must have been written this year. The awards will be announced on July 4, 1983. Write to Leonard P. Liggio, President, IHS.

Several **nonresident summer research fellowships** in law and philosophy will be offered to law students in 1983 by the Institute. Fellowship grants totalling $15,000 will be made, and interested students should write to Professor Randy Barnett, Director, Law and Philosophy Program, IHS. Deadline March 15, 1983.

The Institute is proud to announce its **Claude R. Lambe fellowship program** for the 1983-84 academic year, which will recognize students with an interest in the tradition of classical liberalism and high academic performance. Undergraduate fellowships are up to $7,500 (tuition plus stipend), while graduate fellowships are up to $9,000. Walter E. Grinder, Vice President for Academic Programs, Claude R. Lambe Fellowship Program, IHS.

Conferences

The Institute in cooperation with FASL will again present a series of residential seminars, **Liberty and Society,** across the country during summer 1983. An advanced seminar in Austrian economics for undergraduates will also be offered at George Mason University. The seminars enhance students' understanding of the market economy and its indivisibility from political liberty. For applications to these seminars, write to Walter E. Grinder, Vice President for Academic Programs, IHS, P.O. Box 1149, Menlo Park, CA 94025.

The Institute, in association with the Liberty Fund, has scheduled three conferences thus far for the first half of 1983.

The Institute's 1983 summer residential research seminar, "Political Power and Economic Perspectives," will be held from June 13 to August 21 in Menlo Park, California. Inquiries from interested scholars should be addresses to Leonard P. Liggio, President, IHS.

On April 21-23, Professor Joseph Peden (Baruch College, CUNY) will moderate a colloquium, "The Legal, Ethical, and Psychiatric Conceptions of Responsibility," in Half Moon Bay, California.

The late Felix Morley provides the inspiration for the colloquium, "The Liberty and Responsibility of the Press," to be led by IHS President Leonard P. Liggio, on May 12-14 in Gibson Island, Maryland.

Publications

The ***Humane Studies Review*** is a study guide, published to help students learn the ideas and principles of classical liberalism. Its purpose is to enable students to work *systematically* through the literature, in order to gain a more comprehensive understanding of the intricacies of the classical liberal world view—its theoretical framework and its historical development.

The ***Humane Studies Review*** keeps liberty-oriented students up-to-date on current libertarian scholarship, helps them to regain their intellectual and ideological heritage, and gives free-market advocates among today's students a source of intellectual support for their ideas, so that they may defend their point of view in the face of opposition.

Don't miss these articles

"An Outline of the History of Libertarian Thought" by David Hart

"The Basic Tenets of Classical Liberalism" by David Hart and Walter Grinder

"An Introduction to the Literature of Natural Rights and Natural Law" by George Smith

"The Law Merchants" by Leon Trakman

A comprehensive series of articles, "Austrian Economics," by Richard Ebeling

Biographical sketches of key classical liberal thinkers—from Etienne de la Boetie, Richard Overton, and John Locke, through John Stuart Mill and Herbert T. Spencer, to Frank Chodorov, Luwig von Mises, and F. A. Hayek.

Subscriptions to the ***Humane Studies Review*** are free to faculty and students (please include your university, major, and expected date of graduation). Write for your free subscription to: The ***Humane Studies Review***, The Institute for Humane Studies, Box 1149, Menlo Park, CA 94025.

Leonard P. Liggio, President
Institute for Humane Studies
P.O. Box 1149
Menlo Park, CA 94025
(415) 323-2464

Adam Smith Was Right!

The Nobel laureate economist F. A. Hayek called the coordinating effect of the market "spontaneous order." Hayek and other Austrian-school economists assert that the optimum use of a society's resources can never be achieved by central planning or government controls, but that reaching the closest approximation of optimum resource use and allocation is a commonplace feature of spontaneous order, and is a product of the myriad arrangements people make as they work to satisfy their needs and goals. These seminars have been organized to give students the opportunity to make a detailed exploration of the principles of the market process and the coordinating mechanisms it generates.

Why participate?

Each of these seminars will allow the participants to explore the intellectual foundations of economic and political liberty, bringing together the leading scholars of the free market and students to develop:

- *the basic intellectual tools for understanding the free-market mechanism;
- *an understanding of the moral foundations of the free-market system; and
- *insights into the efficient coordination of the market and the discoordinating effects of government intervention.

Who is eligible?

Undergraduates in all fields and graduate students in professional programs (law, medicine, management, and journalism) and in the hard sciences are all welcome at these seminars. (Graduate students in the social sciences will not be accepted for participation, but are cordially invited to inquire about programs for graduate students.)

Other than those limitations, any student who is curious about the principles that underlie the idea of a society of free individuals, a society based upon the market process, should consider participating in one of the seminars.

Interdisciplinary or Economics?

Two sorts of seminar will be offered this year, one an interdisciplinary seminar that will be held on three campuses, and the other, held at George Mason University, having a more narrow focus on economics.

Applicants should note that these seminars will not center upon developing solutions to public policy issues, but on challenging the participants to develop a coherent, scholarly understanding of the principles of liberty, both economic and social.

Prerequisites

Only the *Liberty and Society: Economic Theory* seminar has coursework prerequisites. Participants in that seminar must have completed at least micro- and macroeconomics. All applicants must be enrolled at an accredited college or university. Admissions preference will be given to juniors and seniors.

Fees

Each application must be accompanied by a $10.00 application fee (which will be returned if the student is not accepted for participation). The participation fee is $25.00, which must reach FASL two weeks before the conference is to start. Every student participating in the seminar will receive a scholarship worth approximately $350.00, covering the cost of study materials, books, housing, meals, and refreshments. Students are responsible for arranging and paying for their transportation to and from the seminar. $35.00 is the total amount paid to FASL by the student to participate in the seminar.

Mail application to:
Walter E. Grinder, President
Foundation for Advanced Studies in Liberty
P.O. Box 263
Menlo Park, CA 94025
(415) 323-2466

Liberty and Society: Economic, Social, and Legal Theory

1. Liberty and Society: Economic Theory
(cosponsored by the Center for the Study of Market Processes)
George Mason University, Fairfax, Virginia
June 5-10, 1983
FACULTY
Roger Garrison, *Auburn University*
Israel M. Kirzner, *New York University*
Lawrence H. White, *New York University*
Guest Lecturers

2. Liberty and Society: Economic, Social, and Legal Theory
Trinity College, Hartford, Connecticut
June 26-July 1
FACULTY
Randy E. Barnett, *Kent School of Law*
John M. Gray, *Jesus College, Oxford University*
Israel M. Kirzner, *New York University*
Ralph Raico, *State University of New York, Buffalo*
George M. Smith, *Institute for Humane Studies*
Guest Lecturers

3. Liberty and Society: Economic, Social, and Legal Theory
Marquette University, Milwaukee, Wisconsin
July 10-15, 1983
FACULTY
Randy E. Barnett, *Kent School of Law*
Ralph Raico, *State University of New York, Buffalo*
Joseph T. Salerno, *Rutgers University*
George M. Smith, *Institute for Humane Studies*
Guest Lecturers

4. Liberty and Society: Economic, Social, and Legal Theory
California State University at Northridge
August 7-12, 1983
FACULTY
Randy E. Barnett, *Kent School of Law*
Ralph Raico, *State University of New York, Buffalo*
Joseph T. Salerno, *Rutgers University*
George M. Smith, *Institute for Humane Studies*
Guest Lecturers

***Deadline*: April 20, 1983**

Application Form 1

Liberty and Society: Economic, Social, and Legal Theory
I am applying for the following seminar:

☐ **Trinity College**
Hartford, Connecticut
June 26-July 1

☐ **Marquette University**
Milwaukee, Wisconsin
July 10-15

☐ **California State University**
Northridge, California
August 7-12

Liberty and Society: Economic Theory*
☐ **George Mason University**
Fairfax, Virginia
June 5-10, 1983
(Note: Participants in this seminar must have completed college courses in micro- and macroeconomics)

A COMPLETE APPLICATION CONSISTS OF:
☐ Completed application form and 4 (*5) brief essays
☐ Copy of current college transcript
  ☐ included
  ☐ sent under separate cover
☐ $10.00 application fee (refunded in full if student is not accepted for participation). Please make checks payable to the Foundation for Advanced Studies in Liberty (FASL).

INCOMPLETE APPLICATIONS cannot be considered for acceptance.
Please PRINT OR TYPE your application.
APPLICATIONS MUST BE POSTMARKED NO LATER THAN **APRIL 20, 1983.**

Essays
(Please write four (*five) brief essays in answer to the questions below. Each essay SHOULD BE NO LONGER than 300 words.)

1. Write a brief biographical essay, including your educational background, personal goals, and career plans.
2. How did you become interested in studying the intellectual foundations of a society coordinated by the market process?
3. What do you hope to learn or acquire by participating in a *Liberty and Society* seminar?
4. Are there any books or authors who have had an impact on your political or economic beliefs? Why?
5. (For students applying to the *Liberty and Society: Economic Theory* seminar at George Mason University only): Please write a brief description of the courses you have taken in economics.

Application Form 1

Liberty and Society: Economic, Social, and Legal Theory
I am applying for the following seminar:

☐ **Trinity College**
Hartford, Connecticut
June 26-July 1

☐ **Marquette University**
Milwaukee, Wisconsin
July 10-15

☐ **California State University**
Northridge, California
August 7-12

Liberty and Society: Economic Theory*
☐ **George Mason University**
Fairfax, Virginia
June 5-10, 1983
(Note: Participants in this seminar must have completed college courses in micro- and macroeconomics)

A COMPLETE APPLICATION CONSISTS OF:
☐ Completed application form and 4 (*5) brief essays
☐ Copy of current college transcript
  ☐ included
  ☐ sent under separate cover
☐ $10.00 application fee (refunded in full if student is not accepted for participation). Please make checks payable to the Foundation for Advanced Studies in Liberty (FASL).

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Your Current Address

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NAME
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ADDRESS
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CITY STATE ZIP
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TELEPHONE NUMBER

THIS ADDRESS IS CURRENT UNTIL:
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Your Permanent Address

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NAME
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ADDRESS
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CITY STATE ZIP
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TELEPHONE NUMBER

Where are you enrolled? ______________________

What is your major? ______________________

When do you expect to graduate, and with what degree? ______________________

Mail completed application and $10.00 application fee to:
Walter E. Grinder, President
Foundation for Advanced Studies in Liberty
P.O. Box 263
Menlo Park, CA 94025
(415) 323-2466

Applications must be postmarked no later than April 20, 1983

Admissions are competitive; we urge you to apply as early as possible.

I understand that the participation fee for the seminar I have applied for is $25.00; payment is due two weeks after I have been notified that I have been accepted for participation.

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Your signature date

Your Current Address

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THIS ADDRESS IS CURRENT UNTIL:
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Your Permanent Address

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Your signature date

of Mises' works can be found in Bettina Bien, *The Works of Ludwig von Mises* (Irvington: Foundation for Economic Education, 1969).

Mises explains his intellectual evolution in *Ludwig von Mises' Notes and Recollections* (South Holland: Libertarian Press, 1978), originally written in 1940 shortly after he arrived in the United States from Europe. A useful, though brief, summary of Mises' contributions can be found in Murray N. Rothbard, "The Essential Von Mises," an appendix in Mises, *Planning for Freedom* (South Holland: Libertarian Press, 4th ed., 1980) pp. 234-270. Mises' position vis-a-vis the development of economics as a science is analyzed by Israel M. Kirzner, *The Economic Point of View* [1960] (Kansas City: Sheed and Ward, Inc., 1976).

Extensive discussions of Mises' writings can also be found in several *Festschriften* in his honor: Mary Sennholz, ed., *On Freedom and Free Enterprise* (Princeton: D. Van Nostrand, Co., Inc., 1956); *Toward Liberty* (Menlo Park: Institute for Humane Studies, 1971); Lawrence S. Moss, ed., *The Economics of Ludwig von Mises* (Kansas City: Sheed and Ward, Inc., 1976); *Homage to Mises* (Hillsdale: Hillsdale College, 1981); "Ludwig von Mises—seine Ideen und seine Wirkung," *Wirtschaftspolitische Blätter*, Bd. 28 (Fall, 1981); Israel M. Kirzner, ed., *Method, Process and Austrian Economics* (Lexington: Lexington Books, 1982). Finally, a glimpse of the personal side of Mises can be found in Margit von Mises, *My Years with Ludwig von Mises* (New Rochelle: Arlington House, 1976).

In the Vienna of the 1920s and early 1930s, Mises' university and private seminars were the catalyst for a new generation of Austrian economists. Among them were such scholars as Gottfried Haberler, Friedrich A. von Hayek, Felix Kaufman, Fritz Machlup, Oskar Morgenstern, Paul N. Rosenstein-Rodan, Alfred Schütz and Richard von Strigl. The importance of the seminars is outlined in Gottfried Haberler, "Mises' Private Seminar," *Wirtschaftspolitische Blätter*, vol. 28 (Fall, 1981) pp. 121-126, also an earlier version reprinted in Mises' *Planning for Freedom*, pp. 276-278; and the contributions of Friedrich A. Hayek and Fritz Machlup in *Tribute to Mises*, The Mont Pelerin Society (Kent: Quadrangle Publications, Ltd., 1974) pp. 2-7 & 10-16.

Many of the strands of Mises' formulation of Austrian economics have been continued by his former student, the 1974 Nobel Laureate, Friedrich A. von Hayek. Hayek's voluminous and important contributions will be discussed in detail in later parts of this series. Summaries and evaluations of various aspects of Hayek's work are now available in Gerald P. O'Driscoll, *Economics as a Coordination Problem, The Contributions of Friedrich A. Hayek* (Kansas City: Sheed, Andrews & McMeel, 1977); Norman P. Barry, *Hayek's Social and Economic Philosophy* (London: Macmillan Press, Ltd., 1979); G. L. S. Shackle, "F. A. Hayek, 1899- " in D. P. O'Brien and John R. Presley, ed., *Pioneers of Modern Economics* (Totowa: Barnes and Noble Books, 1981) pp. 234-261; and Fritz Machlup, ed., *Essays on Hayek* (New York: New York University Press, 1976). The particular contributions by other members of the interwar Austrian School will also be mentioned in the relevant sections of future segments of this bibliography.

The arrival of Keynesian economics eclipsed the Austrian School for almost three decades with only Ludwig von Mises, Friedrich von Hayek, and Ludwig M. Lachmann consciously continuing the tradition in their writings.

Ludwig M. Lachmann was a student of Hayek's at the London School of Economics in the early 1930s; his Austrian approach is presented in a series of essays now collected as *Capital, Expectations and the Market Process*, ed. by Walter E. Grinder (Kansas City: Sheed, Andrews and McMeel, 1977) and in his book, *Capital and Its Structure* [1956] (Kansas City: Sheed, Andrews and McMeel, 1978). For an intellectual biography of Lachmann, see the introduction to *Capital, Expectations and the Market Process* by Walter E. Grinder, pp. 3-24.

After World War II, a revival of the Austrian School emerged from Mises' seminar at New York University in the 1950s and 1960s, with the two most prominent figures being Israel M. Kirzner, *Market Theory and the Price System* (Princeton: D. Van Nostrand, Co., Inc., 1963) and *Competition and Entrepreneurship* (Chicago: University of Chicago Press, 1973), and Murray N. Rothbard, *Man, Economy and State*, 2 vols., [1962] (Los Angeles: Nash Publishing Co., 1970) and *Toward a Reconstruction of Utility and Welfare Economics* [1956] (New York: Center for Libertarian Studies, 1977).

The extent of the growing interest in the Austrian tradition is exemplified by a series of volumes that have appeared during the last decade devoted to exploring its various themes; among them, Sir John Hicks and Wilhelm Weber, ed., *Carl Menger and the Austrian School of Economics* (Oxford: Oxford University Press, 1973); Edwin G. Dolan, ed., *The Foundations of Modern Austrian Economics* (Kansas City: Sheed and Ward, Inc., 1976); Louis Spadaro, ed., *New Directions in Austrian Economics* (Kansas City: Sheed Andrews & McMeel, 1978); a series of articles on "Carl Menger and Austrian Economics," in the *Atlantic Economic Journal*, vol. VI, no. 3 (Sept., 1978); Mario J. Rizzo, ed., *Time, Uncertainty and Disequilibrium, Exploration of Austrian Themes* (Lexington: Lexington Books, 1979); Thomas C. Taylor, *The Fundamentals of Austrian Economics* (London: Adam Smith Institute, 1980); and Alex H. Shand, *Subjectivist Economics, The New Austrian School* (Exeter: The Pica Press, 1981).

In the next issue of the HSR we shall begin to take up the substance of the Vienna tradition by considering the methodology of the Austrian School.

(*Editor's note:* There are two universities that offer programs in Austrian Economics. The first is headed by Professor Israel M. Kirzner at New York University. Inquiries about the program should be addressed to Professor Kirzner, Department of Economics, New York University, 8 Washington Place, Room 700, New York, NY 10003. The second is at George Mason University, The Center for the Study of Market Processes, directed by Professor Richard Fink. The Center publishes a newsletter, *Market Process*, which is free upon request from The Center for Market Processes, Department of Economics, George Mason University, 4400 University Drive, Fairfax, VA 22030.)

Crosscurrents

War and the Health of the State

The radical literary critic and essayist, Randolph Bourne, had a most perceptive insight into the nature of the state when he observed that "War is the Health of the State." Bourne realized that war, for whatever purpose, enables the state to expand massively the size and scope of its activities. Under the guise of "the national interest" or "national security," the state is able to increase taxation, to multiply controls on economic activity, and to violate the rights of dissident individuals.

Bourne cut right through to the essence of state activity in wartime. He was also an acute observer of the behavior of intellectuals *vis-a-vis* the state. In order to bolster their own position, status, and power, members of the intellectual class ally themselves closely with the state, and serve the state by justifying and supporting whatever the state does. Those few intellectuals who oppose war and the policies of interventionism are blacklisted and become outcasts. The best collection of Bourne's essays has been edited by Olaf Hansen, *The Radical Will: Selected Writings 1911-1918* (New York: Urizen, 1977).

> *"War is the health of the State. It automatically sets in motion throughout society those irresistable forces for uniformity, for passionate cooperation with the Government in coercing into obedience the minority groups and individuals which lack the large herd sense"— Randolph Bourne,* The State

Three recent books illustrate in different ways the accuracy of Bourne's interpretation. William H. McNeill's *The Pursuit of Power: Technology, Armed Force, and Society since A.D. 1000* (University of Chicago Press, 1982) is an excellent survey of the way in which the military has become interwoven with industry, resulting in the well-known military-industrial complex of the twentieth century. The last third of McNeill's book is particularly valuable, where he concentrates on the "Industrialization of War" and "Military-Industrial Interaction." McNeill should be supplemented by Murray Rothbard's important essay, "War Collectivism in World War I," in *A New History of Leviathan: Essays on the Rise of the American Corporate State*, ed. Ronald Radosh and Murray N. Rothbard (New York: E. P. Dutton and Co., 1972) and William E. Leuchtenburg "The New Deal and the Analogue of War," in *Change and Continuity in Twentieth Century America* ed. John Braehen, Robert Bremner, and Everett Walters (New York: Harper and Row, 1966). The key institution for the wedding together of business and government during the First World War was the War Industries Board. Robert D. Cuff, *The War Industries Board: Business-Government Relations During World War I* (Baltimore: John Hopkins University Press, 1973) is a very important analysis of this institution. On the economic history of the World Wars themselves, Gerd Hardach's *The First World War 1914-1918* (University of California Press, 1981) and Alan S. Milward, *War, Economy and Society 1939-1945* (University of California Press, 1979) are recommended for their bibliographies and sensible approach to a very complex subject.

The other recent books are two companion volumes edited by Benjamin Franklin Cooling. On the development of the military-industrial complex in the United States see his *War, Business, and American Society: Historical Perspectives on the Military-Industrial Complex* (Port Washington, New York: Kennikat, 1977). On other military-industrial complexes in Great Britain, France, Germany, et al. see *War, Business, and World Military-Industrial Complexes* (Port Washington, New York: Kennikat, 1981). The classic presentation of the military-industrial thesis is Seymour Melman's *Pentagon Capitalism: The Political Economy of War* (New York: McGraw-Hill, 1970).

A Guide to Economics Textbooks

Many of our readers have done or are currently doing coursework in economics, and it would not be an exaggeration to say that many of them are unhappy with the textbooks they are required to read. Often, the textbooks are not sufficiently free-market oriented, or if they are sympathetic towards the market, they may not be sympathetic towards the market-process approach.

With the excellent collection of reviews of introductory economics texts edited by James B. Taylor, the student of economics is now in a good position to evaluate the textbook assigned for his or her course. All of the reviewers are strong supporters of the free market, and they are not reluctant to take big-name economists to task for their interventionist sympathies. In addition, five of the reviewers are followers of the Austrian School (Roy Cordato, Richard Fink, Roger Garrison, Jack High, and Karen Palasek).

Each reviewer analyzes a given text, recommending alternative readings whenever they believe the text under discussion to have some shortcomings. In this way, students can overcome any inadequacies. It is also heartening to learn that there are a number of truly excellent free market textbooks available. These include Paul Heyne's *The Economic Way of Thinking* (reviewed by Jack High), Gwartney and Stroup's *Economics, Private and Public Choice* (reviewed by Roger Garrison) and Alchian and Allen's *University Economics: Elements of Inquiry* (reviewed by Richard Fink), in increasing order of sophistication or difficulty. The collection of reviews, *American Economics Texts: A Free Market Critique* ed. James B. Taylor (Reston, Virginia: Young America's Foundation, 1982) can be obtained by mail for $4.50 from the Young America's Foundation, Suite 811, 11800 Sunrise Valley Drive, Reston, VA 22091.

Hugo Grotius and Natural Law

One of the great figures in the history of natural law is the Dutch legal and political philosopher Hugo Grotius (1583-1645). His most famous work was the *Law on War and Peace* (De Jure Belli ac Pacis) (Washington, D.C.: Carnegie Institution, 1913-24) written in 1623-24 during the devastating Thirty Years' War. It is a civilized plea for reason in all human relations, for respecting the rights of individuals, and the peaceful adjudication of disputes between nations. Charles S. Edwards' new book, *Hugo Grotius. The Miracle of Holland: A Study in Political and Legal Thought* (Chicago: Nelson-Hall, 1981) is a useful short introduction to Grotius's thinking on natural rights, the law of nations, and war. The book has interesting discussions of the Stoic origins of Grotius's theory of natural law and the relationship between Grotius and the sixteenth-century philosopher, Francisco Suarez. The chapter on "Grotius and the Law of War" argues that there are considerable similarities between Suarez's theory of justified resistance to tyranny (contained primarily in "A Defense of the Catholic and Apostolic Faith," in Francisco Suarez, *Selections from Three Works*, ed. J. B. Scott (Carnegie Endowment for International Peace, Oxford: Clarendon Press, 1944) and Grotius's more cautious formulation.

Edwards concludes the book with a naive call for more optimism in thinking about the problems of international relations. He also believes that "the greatest challenge of our time is to overcome the mood of complacency and resignation" which, in his opinion, dominates world affairs (p. 1770). A careful reading of Grotius would, however, suggest that it is not pessimism and complacency which needs to be overcome but the violent and rights-violating activity of the state.

The International Carl Menger Library

For those who are interested in members of the Austrian School of economics and who would like to read their works in the original German, it is very heartening to see some of the great classics coming back into print. The International Carl Menger Library of the Philosophia Verlag, Munich, under the direction of Kurt R. Leube of Vienna and Albert H. Zlabinger of Jacksonville, Florida, has handsomely reprinted Ludwig von Mises' *Nationalokönomie. Theorie des Handelns und Wirtschaftens* (Political Economy: The Theory of Action and Economizing) (Munich: Philosophia Verlag, 1980), the German-language predecessor of *Human Action*, and *Die Gemeinwirtschaft. Untersuchungen über den Sozialismus* (The Social Economy: Investigations into Socialism) (Munich: Philosophia Verlag), Mises' classic analysis of the absurdities of socialism and central planning. There is also Margit von Mises' biography of her husband, *Ludwig von Mises. Der Mensch und sein Werk* (Ludwig von Mises: The Man and his Work) (Munich: Philosophia Verlag, 1982).

Another volume worth mentioning is Richard von Strigl, *Kapital und Produktion* (Capital and Production) (Munich: Philosophia Verlag, 1982), a key work on capital theory in the tradition of Böhm-Bawerk. Strigl was one of the middle-level Austrians (like Mayer and Schönfeld), many of whom have never been translated into English.

The International Carl Menger Library also has had several of the English-language works of Hayek, Lachman, and Kirzner translated into German. All these books are obtainable from Philosophia Verlag, Widenmayerstrasse 34, D-8000 München 22, West Germany.

A Library of Liberty Classics

The latest offerings of the Indianapolis-based publisher Liberty*Press*/Liberty*Classics* comprise a veritable library of libertarian classics. The fourth volume of the magnificent Glasgow Edition of the Works and Correspondence of Adam Smith, *Essays on Philosophical Subjects*, has appeared. This volume shows the incredible diversity of Smith's interests, ranging from astronomy to poetry.

Edmund Burke's essay, *A Vindication of Natural Society*, is discussed in the previous issue of *HSR*. It is a remarkably consistent and radical analysis of the state, in which the market (natural society) is clearly distinguished from all types of political activity (artificial society). Liberty*Classics* does us a great service by rescuing this wonderful essay from the undeserved obscurity of Burke's *Complete Works*.

As early as 1884, Herbert Spencer could see the statist direction in which Great Britain was heading. His warnings were published as *The Man versus the State*. These essays, along with the little-known work on "The Proper Sphere of Government" and some other essays, have been edited by Eric Mack. All the writings of this great liberal political and sociological theorist should be on the shelves of libertarian scholars and students. This attractive volume is a good place to begin your collection.

Other volumes in the latest catalog include A. V. Dicey, *The Law of the Constitution* Frank H. Knight, *Freedom and Reform: Essays in Economic and Social Philosophy* and the collection edited by Thomas Mackay, *A Plea for Liberty: An Argument Against Socialism and Socialist Legistlation*; All are strongly recommended. Liberty*Press* /Liberty*Classics*, 7440 North Shadeland St., Indianapolis, IN 46250.

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Fundamentally, the Institute for Humane Studies is concerned with the dignity, worth, and sanctity of the individual. We hold that all individuals are unique, and that their uniqueness and differences are the source from which their values flow. From this difference in values comes in turn in the need to engage in exchanges, to trade peacefully, and to form voluntary associations to satisfy the human needs for companionship, security, and culture. We believe that the phrase "humane studies" best describes the field of our interest. The Institute's concern is with all those disciplines which deal with human action and with the moral and economic choices people make in their everyday lives.