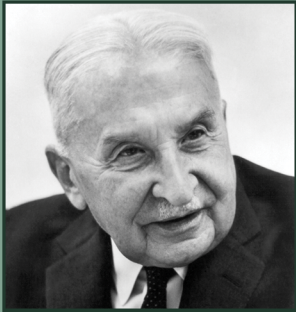


Mises and Austrian Economics



Ron Paul



A Personal View

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518 West Magnolia Avenue
Auburn, Alabama 36832-4528
phone 334-321-2100; fax 334-321-2119
email info@mises.org; web www.mises.org

Mises and Austrian Economics A Personal View

Congressman Ron Paul

Introduction

[U]nder the predominance of interventionist ideas, a political career is open only to men who identify themselves with the interests of a pressure group. . . . Service to the short-run interests of a pressure group is not conducive to the development of those qualities which make a great statesman. Statesmanship is invariably long-run policy; pressure groups do not bother about the long-run.¹

I decided to run for Congress because of the disaster of wage and price controls imposed by the Nixon administration in 1971. When the stock market responded euphorically to the imposition of these controls and the closing of the gold window, and the U.S. Chamber of Commerce and many other big business groups gave enthusiastic support, I decided that someone in politics had to condemn the controls, and offer the alternative that could explain the past and give hope for the future: the Austrian economists' defense of the free market. At the time I was convinced, like Ludwig von Mises, that no one could succeed in politics without serving the special interests of some politically powerful pressure group.

Although I was eventually elected, in terms of a *conventional* political career with real Washington impact, he was absolutely right. I have not developed legislative influence with the leadership of the Congress or the administration. Monies are deliberately deleted from

¹Ludwig von Mises, *Human Action*, Scholar's Edition (Auburn, Alabama: Mises Institute, 1998), p. 866.

routine water works bills for my district because I do not condone the system, nor vote for any of the appropriations.

My influence, such as it is, comes only by educating others about the rightness of the free market. The majority of the voters in my district have approved, as have those familiar with free-market economics. And voters in other districts, encouraged by my speaking out for freedom and sound money, influence *their* representatives in the direction of a free market. My influence comes through education, not the usual techniques of a politician. But the more usual politicians in Congress will hardly solve our problems. Americans need a better understanding of Austrian economics. Only then will politicians become more statesmanlike.

My introduction to Austrian economics came when I was studying medicine at Duke University and came across a copy of Hayek's *The Road to Serfdom*.² After devouring this, I was determined to read whatever I could find on what I thought was this new school of economic thought—especially the work of Mises. Although the works were magnificent, and clarified many issues for me, it was more of a revelation to find intellectuals who could confirm what I “already knew”—that the free market is superior to a centrally planned economy. I did not know *how* a free market accomplished its work, and so the study of economics showed me this, and how to build a case for it. But, like many people, I did not need to be convinced of the merits of individual freedom—for me that came naturally.

For as long as I can remember, I wanted to be free from government coercion in any form. All my natural instincts toward freedom were inevitably challenged by the established school system, the media, and the government. These systems tried to cast doubt on my conviction that only an unhampered market is consonant with individual liberty. Although reassured that intellectual giants like Mises agreed with a laissez-faire system, I was frustrated by knowing what was right, while watching a disaster developing for our economy. The

²Friedrich A. Hayek, *The Road to Serfdom* (Chicago: University of Chicago Press, 1944).

better I came to understand how the market worked, the more I saw the need to implement these ideas through political action.

Political action aimed at change can, of course, take various forms. In 1776, in America, it was a war for independence from British oppression. In 1917, in Russia, violence was used to strengthen oppression.

Fortunately, it is possible to accomplish the proper sort of change through education, persuasion, and the democratic process. Our rights of free speech, assembly, religion, petition, and privacy remain essentially intact. Before our rights are lost, we must work to change the policies of 70 years of government interventionism. And the longer we wait the harder it will be.

Because of my interest in individual liberty and the free market, I became closely associated over the years with friends and students of Mises, those who knew the greatness of Mises from a long-term personal friendship with him. My contact, however, was always through his writings, except on one occasion. In 1971, during a busy day in my medical office, I took a long lunch to drive 60 miles to the University of Houston to hear one of the last formal lectures Mises gave—this one on socialism. Although 90 at the time, he was most impressive, and his presentation inspired me to more study of Austrian economics.

My subsequent meetings and friendship with the late Leonard Read and his Foundation for Economic Education also inspired me to work harder for a society unhampered by government intrusion into our personal and economic lives. My knowledge has been encouraged and bolstered through the extraordinary work of the Mises Institute, with its many publications and conferences, and its inspiring work among students choosing academic careers.

My friendships with two important students of Mises, Hans Sennholz and Murray Rothbard, were especially helpful in getting first-hand explanations of how the market functions. They helped me to refine my answers to the continual barrage of statist legislation that dominates the U.S. Congress. Their personal assistance was invaluable to me in my educational and political endeavors.

Such friendships are valuable, but the reassurance that sound thinkers were on my side was inspirational. It gave me the confidence I needed to intellectually defend my political and economic positions on the campaign trail and on the House floor.

Mises's Character and Its Influence

My association with the Austrian School of economic thought has been invaluable to me, but so have the personal testimonials as to the character of Mises. He never yielded to any temptation to soften his stand to be more acceptable to the conventional economic community, which proved him to be a man of strong will and character. If he had softened his stands, his recognition during his lifetime would have been enhanced. But his goal was economic truth, not a prestigious academic position and superficial acclaim. His determination and consistency were buoyed by the confidence that he was right, and that rectitude was all that mattered. Mises was always a gentleman, kind and considerate of all, and I have tried to emulate him. When the world of economists and politicians is going mad, it is difficult to respond with quiet and deliberate discussion. Yet this response served him well and enhanced his ability to teach. In due time, his quiet voice and those of his students will be heard, despite the shouting and demagoguery that afflicts Washington, D.C.

When exasperated with the current state of affairs, we must remember Mises's admonishment: "No one should expect that any logical argument or any experience could shake the almost religious fervor of those who believe in salvation through spending and credit expansion."³

But we must also remember that it is the acceptance of economic interventionism that breeds this disease of demagoguery that plagues the thinking and speech of the politicians.

After coming to believe in themselves as planners and decision-makers for consumers, businesspeople, and working people, the politicians

³Ludwig von Mises, "Stones into Bread: The Keynesian Miracle," *Planning for Freedom* (South Holland, Illinois: Libertarian Press, 1974), p. 63.

soon can arrogantly rationalize any position for *any* reason. It wouldn't be as bad if they knew they were demagogues—at least this would be honest. But this arrogance becomes a way of life, and the tool to achieve their next "important and necessary" intervention.

It is only with full assurance gained from Austrian economics, and the example of Mises's character, that I am able to tolerate the daily circus of Congress.

Economic knowledge is not nearly as scarce in Washington as one might suspect from a superficial observation of Congress. Other Congressmen frequently express sound judgments to me privately regarding deficits and runaway expenditures. What they lack is the *will* to resist the pressure groups. As desperately as we need a better economic understanding, even more we need Mises's trait of gentlemanly firmness on issues of principle. Character is more necessary than eloquence in economic theory.

Jacques Rueff described well this quality of Mises's:

With an indefatigable enthusiasm, and with courage and faith undaunted, he has never ceased to denounce the fallacious reasons and untruths offered to justify most of our new institutions. . . . No consideration whatever can divert him in the least from the straight steep path where his cold reason guides him. In the irrationalism of our era he has remained a person of pure reason.⁴

Murray Rothbard in *The Essential Ludwig von Mises* writes that Mises:

reacted to the darkening economic world around him with a lifetime of high courage and personal integrity. Never would Ludwig von Mises bend to the winds of change that he saw to the unfortunate and disastrous; neither changes in political economy nor in the discipline of economics could bring him to

⁴Jacques Rueff, "The Intransigence of Ludwig von Mises," in *On Freedom and Free Enterprise*, Mary Sennholz, ed. (Princeton, New Jersey: D. Van Nostrand, 1956), p. 15.

swerve a single iota from pursuing and propounding the truth as he saw it.⁵

The Subjective Theory of Value

The study of Austrian economics has helped me in many ways to understand what happens in our economy, and the excuses of the establishment economists as to why we're not achieving the paradise that politicians promised if only their legislation were passed. It is time, of course, for them to do some serious explaining, since after 70 years of intervention, conditions have gotten worse, and we face an international banking crisis unprecedented in all of history.

Of all the important contributions of the Austrian School, the subjective theory of value has proven most helpful to me in understanding why things aren't as the interventionists say they ought to be. According to the soothsayers, there's always an easy excuse. In Russia, it's always the weather. In the interventionist United States, it's "timing," "the technicians," "the residuals of capitalism," "tax policy," "too little spending," "assistance to the wrong special interest," etc. The excuses are endless.

Except for a few other Members, no one in Congress has ever heard of the subjective theory of value (or the labor theory of value, for that matter), and none really care. Yet I believe it is crucial for them to understand the theory if true reform is to be achieved. Since little thought has been given to the fundamentals, smatterings of the labor theory of value still motivate many in Congress to promote legislation that will secure a "fair" return for the working man. The explanation of how individuals, acting freely in the market, determine values and prices of specific goods, dispels the myths spread by both the Keynesians and the monetarists. Keynesians blame the Arabs for the inflation; the monetarists, limiting their thoughts to quantity of money as the sole determinant of prices, raise more questions than they answer. It has only been through a basic understanding of how price is determined

⁵Murray Rothbard, *The Essential Ludwig von Mises* (Auburn, Alabama: Ludwig von Mises Institute, 1983).

subjectively that I have not yielded to the “plausible” arguments of the planners who are able to dwell on partial truths and short-term consequences. When viewed from an Austrian viewpoint, “stagflation” is hardly the mystery it was proclaimed to be in the recession of 1974 to 1976.

There are some who have heard of the subjective theory of value but are hesitant to accept it because they prefer “objectivity” to “subjectivity.” Yet if consumers subjectively set prices and values by affecting supply and demand (and thus sales), this is an important *objective* finding. Just because we can measure monetary aggregates, or hours spent producing a product, we decide these objective facts can be used to determine value. Yet it is really not the way prices are determined, so these facts are not *objectively useful* for this purpose. Those who would use these “objective” facts for calculating future “price levels” are quick to *reject* the objectivity of certain economic laws that are glaringly apparent, e.g., government planning leads to chaos; printing money creates no new wealth; fiat money cannot replace commodity money without force and fraud, etc. They thus reject subjectivity where it is important—in understanding how individual prices are set—and ignore objective economic laws so that their schemes of planning can be pursued. This is a mechanism of both convenience and ignorance. It allows planners in Washington to persistently defy all economic laws so the politicians can pursue preconceived and erroneous notions of what is best for everyone.

Once they accept the idea that prices are an “objective” consequence of certain previous events—money supply, oil boycotts, wage settlements, or farm policy—they naturally feel that prices can be altered easily. Legislation to establish wage, price, credit, dividend, and profit controls have been introduced in the House and conceivably could be passed if conditions “warrant” it. Although free-market pricing is crucial for sending necessary messages to entrepreneurs and consumers, its origin is totally misunderstood in Washington, so it is no wonder our economy remains threatened.

If there is no general understanding of the essentials of a free pricing structure, the market economy will always be threatened. And without a free pricing structure, the market cannot function. To

understand how prices are determined, one must understand the subjective theory of value.

The Importance of Money

Today, it's hard to believe that it was a major breakthrough in economics for Mises to show logically that under socialism prices cannot be established and economic calculation is impossible. Is it any wonder that socialist nations, without subsidies from a capitalist nation, are unable to feed themselves? This is why the threat of communism would be greatly reduced if only we could stop our elected officials from bailing these countries out. Only force enables a system to survive without a free-market pricing mechanism.

Against a background in free-market economics, the disastrous effects of wage and price controls are never a surprise. In spite of both recent and ancient failures of wage and price controls, they—as well as credit controls, currency controls, and an attack on hard assets—will be used to our great economic detriment, because the political pressures to continue the tremendous deficits are so strong in Washington and, inevitably, the dollar will be destroyed.

Since we cannot predict the future because we cannot know the subjective decisions of millions of consumers and producers, we cannot know exactly when this will come about. Yet we can be certain, from history, that the politicians will continue to destroy our money, and that they will put off for as long as possible the consequences that must follow.

Mises writes that eventually we must make a choice:

Men must choose between the market economy and socialism. The state can preserve the market economy in protecting life, health, and private property against violent or fraudulent aggression; or it can itself control the conduct of all production activities. Some agency must determine what should be produced. If it is not the consumers by means of demand and supply on the market, it must be the government by compulsion.⁶

⁶Ludwig von Mises, *Planned Chaos* (Irvington-on-Hudson, New York: Foundation for Economic Education, 1947), p. 34.

Understanding money is the key to restoring a sound economy. Since entering politics, I have spent more time on the money issue than any other. Austrian economics, and especially Mises's writings, have been especially helpful to me. Mises's explanation of how money originated in the market as a useful commodity convinced me that money once again must be returned to the market as a commodity.

Politicians inevitably destroy money when they gain control of it, and attempt to make it a mere product of the State, completely separate from any commodity sought by the consumer. Mises understood how the money issue became as much a political issue as an economic one. His insights helped me to oppose both liberal and conservative excuses for deficits. Both factions, regardless of rhetoric, depend on a fiat money system and inflation. These hide the exactions necessary to continue government financing while serving the special interests who get the new money before the depreciation is recognized by the general public.

My support for legalizing competition in currencies has obviously been influenced by the Misesian explanation of money. This is one area where we can even get the monetarists to agree. Mises explains that money—like any commodity—has a marginal utility, and its value is set subjectively. This has helped me refute the pure quantity theory of money as presented by the Chicago School. Money as a commodity must have a *quality* to it, and consumers must trust the money for it to function—something increasingly absent today. Once this is understood, there is no mystery as to why the bond market acts as it does, and why interest rates are “too high,” as the monetarists and Keynesians have proclaimed.

The most common misunderstanding in Washington regarding money is the conviction that economic growth depends on money growth. Ricardo mentioned this, but it was Mises who emphasized and clarified this point—duplication of money units bestows no social benefit. If it did, we'd have a hard time explaining why economic growth did so poorly in the 1970s when the Federal Reserve Board nearly tripled the money supply (M3). Yet today, the vast majority of the bureaucrats and politicians believe that without money growth, economic growth cannot occur. They see money as separate from

taxing, spending, and regulatory policies; without an understanding of value, pricing, and money quality, it is virtually impossible to explain to them that prices can easily adjust downward if a free market requires it. The prevailing opinion is that falling prices are synonymous with depression—an obviously erroneous idea. Those who believe this do not understand the nature of capital—that it comes from productive effort and savings. They believe capital is something you get when the Fed increases the money supply.

In *A Critique of Interventionism*, Mises wrote:

By its very nature, a government decree that “it be” cannot create anything that has not been created before. Only the naive inflationists could believe that government could enrich mankind through fiat money. Government cannot create anything; its orders cannot even evict anything from the world of reality, but they can evict him from the world of the permissible. Government cannot make man richer, but it can make him poorer.⁷

In applying the concept of the marginal utility of money, Mises superbly explains the befuddlement expressed by the conventional economist about government’s velocity statistics. The propensity of consumers to hold cash or to spend explains why sometimes prices go up more slowly than some say they “should,” and why they go up more rapidly than they “should” at the end of a currency destruction, in spite of the slowing of new money creation. Only Austrian economics can adequately explain these economic occurrences.

In 1913, Mises published *The Theory of Money and Credit*.⁸ In this masterpiece he gave us all we would have needed to avoid the financial calamities of the 20th century and possibly even the wars fought with the weapon of inflation. Tragically, the U.S. took another course; with Colonel House advising President Wilson, we established a powerful central bank and introduced the destructive graduated income

⁷Ludwig von Mises, *A Critique of Interventionism* (New Rochelle, New York: Arlington House, 1977), p. 23.

⁸Ludwig von Mises, *The Theory of Money and Credit* (New Haven, Connecticut: Yale University Press, 1953).

tax, all in that same year. The subsequent cost in human suffering and loss of freedom has been immeasurable.

Several Special Points

The clear explanation provided by Mises of the nature of money and inflation has served me well in defending a hard money system. Understanding the subjective theory of value has been most helpful to me personally in understanding all the contradictions pressed by the establishment economists, but it does not lend itself to popular expression on the House floor. In contrast, the truth about money and inflation, and how inflation benefits the politicians and special interests, and serves as a hidden tax, is much easier to present in ordinary language.

Understanding the concept of “time preference” in explaining and defending profits and interest is not practical in general debate, but it is useful in providing the information to show that the liberal welfarists and socialists are absurd in their contentions that working people are injured by a free-market economy.

In a similar way, Mises’s refutation of the Marxian theory of the inevitability of class struggle is beneficial for reassurance but not useful practically, since those who are in charge in Congress neither understand nor care to understand something they would consider esoteric. Nevertheless, it is important for a defender of capitalism to understand the Austrian explanation that capitalism ends class struggle, builds a huge middle class, and raises the standard of living of everyone. The specific choices of consumers become key in a free market—which can exist only in a nation that has a high regard for individual liberty. Although the politicians in Washington refuse to think in these terms, the fact is that positive change will only come when our intellectual leaders accept the importance of concepts like time preference, the nature of class conflicts, and subjective valuations. When the Austrian view becomes commonly accepted, capitalism will result from a political order that holds individual liberty in high esteem.

The Business Cycle

There are some in the U.S. Congress who are knowledgeable and enthusiastic about socialism, and who fight for it as tenaciously as I fight for the free market. But their numbers are few. For the most part, the Members are well-intentioned, ostensibly pragmatic do-gooders—"pragmatic" enough to latch on to the interventionism most beneficial to their particular political needs and to provide an intellectual defense. Whether Keynesians, supply-siders, or monetarists, there is always an explanation for deficits, taxes, central banks, fiat money, inflation, and all flavors of interventionism. Yet the bulk of the Members remain well-intentioned, but, by their compromises, seriously mislead. Actually, compromise becomes a "beneficial philosophy" in itself. If one does not compromise, he becomes "rigid," "sterile," "impractical," "egotistical," "ideological," and "ineffectual." Politics becomes the art of compromise. Yet with closer scrutiny, it's easily seen that it is the compromisers who are rigid, sterile, impractical, ideological, and egotistical in their defense of the very dangerous system of interventionism and inflation.

It is rare in Washington for anyone to be accused of deliberately hurting the poor. No one deliberately creates unemployment. No one likes high interest rates, rising prices, or a falling standard of living. They all claim they know how to prevent suffering brought on by the business cycle—yet nearly all accept the proposition that the cycle comes out of uncontrolled capitalism. Since only a handful ever studied Mises's superb explanation of how government monetary policy creates the cycle, only foolish, political solutions are offered. Even monetarism offers no help, since commodity money is condemned and the subjective theory of value rejected.

It's tragic to watch, day after day, the flow of statist solutions from both parties in Washington while knowing the answers are readily available if our current leaders would only open their eyes, reject demagogues, and restore order with a sound monetary system and a free-market economy.

I found Rothbard's and Sennholz's Austrian explanation of the Great Depression truly eye-opening. Convinced of the cause of the Depression both from the theoretical (Mises) and the more practical

(Rothbard and Sennholz) viewpoint, I became more determined than ever to work for a sound monetary system—without a central bank or political (paper) money. All people concerned with the suffering and degradation of unemployment should study the Austrian explanation of how distorted interest rates, malinvestment, skewed economic calculation, and preferential treatment for favored business and government constituencies, cause the crime of the business cycle.

Politicians are easily misled and conveniently tempted by the boom phase of the cycle. As Mises points out:

[t]hus it conclusively proved that the slump, whose appearance the inflationists attributed to an insufficiency of the supply of money, is on the contrary the necessary outcome of attempts to remove such an alleged scarcity of money through credit expansion. . . . This demonstration could appeal to statesmen intent on promoting the enduring well-being of their nation. It could not influence demagogues who care for nothing but success in the impending election campaign and are not in the least troubled about what will happen the day after tomorrow.⁹

Obviously one cannot deal in politics without being aware of human nature and how interventionism attracts demagogues. Refuting the demagogues who prate about their great skills during the boom, and shout louder and louder for statism as the busts get more severe with each cycle, seems an overwhelming task. It is easy to see that many economic “recoveries” are nothing but more of the same—spending and inflating our way into a new cycle, hoping for yet another boom, which may or may not materialize. Eventually, the deceitful trick of inflation will fail to create “prosperity?” When that time comes, due to the sustained period of inflation that we have endured, we can expect a serious political and economic crisis for Western civilization. The incantations of supply-sidism, monetarism, or Keynesianism will not suffice, and the fascist and socialist voices of oppression will grow louder and more influential.

⁹Mises, “Lord Keynes and Say’s Law,” *Planning for Freedom*, p. 68.

International Politics

My main motivation in entering politics was to contribute something toward establishing a free society. This desire, combined with the Austrian arguments for the efficient functioning of the market economy, has served me well. The particular interest that has occupied my time and interest has been the issue of money and inflation.

It is impossible to concentrate on money and inflation and ignore foreign affairs, however. The two are intertwined. The fact that economic interventionism leads to a lowering of our standard of living is bad enough, but its breeding of excessive nationalism, protectionism, economic isolationism, militarism, and war should prompt us all to fear for the fate of freedom and even civilization itself, Mises's prediction that the U.S. type of interventionism will lead to a German type of national socialism appears to be accurate. In *Human Action* Mises states:

An essential point in the social philosophy of interventionism is the existence of an inexhaustible fund which can be squeezed forever. The whole doctrine of interventionism collapses when this fountain is drained off. The Santa Claus principle liquidates itself.¹⁰

Evidence of his prediction is all around us today. We can only hope that we can turn things around before his prediction that it leads to a German-type fascism comes true.

The non-liberals who admit to the failure of their brand of interventionism now plot schemes for "reindustrialization"—an euphemism for fascism (government "partnership" with business). Banking Regulation Number One and the Defense Production Act, already on the books, allow under emergency conditions for an economic despot to take charge almost immediately. In a panic, it will not take much to topple us over. Since Americans dislike outright government ownership we will have the deception of private ownership in combination with government's authoritarian control over the economy. And some

¹⁰Mises, *Human Action*, p. 854.

businessmen, under this system, will always hope to secure greater profits at the expense of innocent (and unknown) victims.

In *Human Action*, Mises points out:

Aggressive nationalism is the necessary derivative of the policies of interventionism and national planning. While laissez faire eliminates the causes of international conflict, government interference with business and socialism create conflicts for which no peaceful solution can be found. While under free trade and freedom of migration no individual is concerned about the territorial size of his country, under the protective measures of economic nationalism nearly every citizen has a substantial interest in these territorial issues. The enlargement of the territory subject to the sovereignty of his own government means material improvement for him or at least relief from restrictions which a foreign government has imposed upon his well-being. What has transformed the limited war between royal armies into total war, the clash between peoples, is not technicalities of military art, but the substitution of the welfare state for the laissez-faire state.¹¹

And again on page 828, he reiterates:

Interventionism generates economic nationalism, and economic nationalism generates bellicosity. If men and commodities are prevented from crossing the borderlines, why should not the armies try to pave the way for them? . . . The root of the evil is not the construction of new, or dreadful weapons. It is the spirit of conquest.

As Mises shows, the "spirit of conquest" is the problem, *not* the weapons themselves. For this reason, he places no confidence whatever in treaties and conferences, which to him were all bureaucratic nonsense.

International tensions are building as never before, with the war on terrorism fueling more terrorism, which provides more rationale for the war. The magnitude of these tensions is even greater than in the 1930s. International debt is deeper; the degree of worldwide inflation is more ominous.

¹¹Ibid., p. 819.

Gold has been “discredited” by all governments. The engines of inflation throughout the world are running at full throttle, struggling to keep the debt pyramid from collapsing. True capital formation diminishes yearly. Military build-ups continue at unprecedented rates. Western governments continue to finance ruthless regimes, loaning more than \$100 billion. As foreign military capability is enhanced by our financing, we hear urgent requests from both Democrats and Republicans to increase our military expenditures massively. We never question our subsidies to our “allies and friends” through massive military and economic aid. We tear down Texas’ Gulf Coast airbases, and send AWACs aircraft to Europe and the Mideast, leaving our coastlines vulnerable. All of Japan’s defense needs are paid for by the American taxpayer and the savings are passed on to their car companies and other exporters. American car and steel industries then ask for more protectionism through quotas and tariffs.

All this insanity, of course, is financed through massive taxation and inflation borne by our taxpayers. Without fiat money, these wild schemes would be impossible. And, more inflation and more planning only makes things worse. And we are now in the midst of compensating for the problems we have created with trade barriers, devaluations, floating exchange rates, bank bailouts, and Third World and foreign government bailouts. The only answer given to the deteriorating conditions is to either spend more on bombs or sign worthless treaties with untrustworthy governments. And yet there is clearly another option.

No one wants to consider seriously sound money and free trade as an alternative. Central banking and fiat money bring us the business cycle and unemployment. They also give us international crises and war. To achieve peace and prosperity, we must accept the ideas of the free market and honest money.

Natural Rights

Ludwig von Mises was the greatest economist of all time. But he never convinced me that it

is metaphysical nonsense to link together the “slippery” and vague notion of liberty and the unchangeable absolute laws of cosmic order. Thus the fundamental idea of liberalism [that all men are created equal and endowed by their creator with certain unalienable rights] is unmasked as a fallacy. . . . There is no room left in the framework of an experimental observation of natural phenomena for such a concept of natural rights.¹²

Mises also wrote:

The Utilitarians do not combat arbitrary government and privileges because they are against natural law but because they are detrimental to prosperity. They recommend equality under the civil law not because men are equal but because such a policy is beneficial to the commonweal. In rejecting the illusory notions of natural law and human equality modern biology only repeated what the utilitarian champions of liberalism and democracy long before had taught in a much more persuasive way. It is obvious that no biological doctrine can invalidate what utilitarian philosophy says about the social utility of democratic government, private property, freedom and the equality under the law.¹³

Though Mises states that the “idea of natural law is quite arbitrary,” I might suggest that so are the *interpretations* of utility. Inflation is very “useful” to those in power. Only a concept of natural rights can condemn the “perceived” utility of interventionism. In an effort to refute those who cautioned about policy consequences “in the long run,” Keynes relied upon utilitarianism by replying that “in the long run, we are all dead.” Every argument I have ever heard on the House floor is presented as utilitarian and—for the *pressure groups* represented—the proposals certainly are “utilitarian.” These arguments are never based on the moral principles of people’s natural right to run their own lives. Santa Claus wins the “utilitarian” argument until it’s too late to do anything about it.

¹²Ibid., p. 174.

¹³Ibid., p. 175.

The interventionist's reliance on the appeal of Santa Claus, "utilitarianism," and an ostensibly high-minded concern for the down-trodden can only be countered by a more truly utilitarian defense of the free market *and* the concept of natural rights—which allows the non-interventionists to take the true moral high ground. In the absence of a natural rights argument, a moral vacuum exists, into which the socialists rush, winning every time. They have won throughout the 20th century, while the concept of God-given rights has been almost obliterated. Austerity for the benefit of the next generation won't get enough votes in a democratic political system. Combine it with a moral argument for natural rights, and the chances of success are greatly enhanced.

Mises's rejection of natural rights allowed him to be "utilitarian" on the conscription issue:

The essential task of government is defense of the social system not only against domestic gangsters but also against external foes. He who in our age opposes armaments and conscription is, perhaps unbeknown to himself, an abettor of those aiming at the enslavement of all.¹⁴

Conscription challenges the idea of the truly free society. But ironically, an in-depth study of the draft reveals that it is *not* practical or efficient but eminently dangerous. The utilitarian argument for conscription is an "arbitrary" argument. A natural rights philosophy is not arbitrary on the issue of the draft, which is especially dangerous in an age when economic interventionism has set the stage for war. Conscription under these conditions provides the *actors*.

Yes, interventionism leads to militant nationalism and economic isolationism. The wars that usually follow foolish economic policy depend on a fiat monetary system for financing *and* on conscription for the participants. A truly defensive war by a free society must be fought with volunteers. Only by combining a free-market economy based on a natural rights philosophy can we expect to minimize the likelihood of war.

¹⁴Ludwig von Mises, *Human Action*, 3rd rev. ed. (Chicago: Henry Regnery, 1966), p. 282.

Summary

Austrian economics has provided me with the intellectual ammunition to support my natural tendency to say “no” to all forms of government intervention. Mises provides an inspiration to stick to principle and to argue quietly and confidently in favor of the superiority of a decentralized, consumer-oriented market, in contrast to a bureaucratic centrally planned economy.

Mises is clear about the responsibility we all have in establishing a free society. He concludes *Socialism* with this advice:

Everyone carries a part of society on his shoulders; no one is relieved of his share of responsibility by others. And no one can find a safe way out for himself if society is sweeping towards destruction. Therefore everyone, in his own interests, must thrust himself vigorously into the intellectual battle. None can stand aside with unconcern; the interests of everyone hang on the result. Whether he chooses or not, every man is drawn into the great historical struggle, the decisive battle into which our epoch has plunged us.¹⁵

And in *Human Action* he states:

There is no means by which anyone can evade his personal responsibility. Whoever neglects to examine to the best of his abilities all the problems involved voluntarily surrenders his birthright to a self-appointed elite of supermen. In such vital matters blind reliance upon “experts” and uncritical acceptance of popular catchwords and prejudices is tantamount to the abandonment of self-determination and to yielding to other people’s domination. As conditions are today, nothing can be more important to every intelligent man than economics. His own fate and that of his progeny is at stake.¹⁶

¹⁵Ludwig von Mises, *Socialism* (New Haven, Connecticut: Yale University Press, 1951), p. 515.

¹⁶Mises, *Human Action*, pp. 874–75.

I'm convinced, as was Mises, that the solutions to the crisis we face must be positive (which is just one reason I am so pleased by the establishment of the Ludwig von Mises Institute). He stated in *The Anti-Capitalistic Mentality* that the "anti-movement" has "no chance whatever to succeed" and that "what alone can prevent the civilized nations of western Europe, America and Australia from being enslaved by the barbarism of Moscow is open and unrestricted support of laissez-faire capitalism."¹⁷

Without Austrian economics, I would not have had my political career. The strongest motivating force in my political activities is to live free since I was born free. Liberty is my first goal. The free market is the only result that can be expected from a free society. I do not accept individual freedom *because* the market is efficient. Even if the free market were less "efficient" than central planning, I would still prefer my personal freedom to coercion. Fortunately, I don't need to make a choice. Austrian economics upholds the market's efficiency, and that reinforces my overwhelming desire and right to be free.

If no adequate intellectual explanation existed as to the efficiency of the free market, no political activism of any sort would be possible for any pro-freedom person. Our position would only be a theoretical pipe dream.

I see no conflict however between a utilitarian defense of the market economy and the argument for a free market as a *consequence* of a moral commitment to natural God-given rights, for there is no conflict. The economist's approval of the market for purely utilitarian reasons actually becomes a more "objective" analysis if *not* approached from a natural rights standpoint. But when combined with a natural-rights philosophy, it is even *more* powerful. No choice must be made. The utilitarian argument does not exclude the belief that life and liberty originates with the Creator. When they are added together they become doubly important.

¹⁷Ludwig von Mises, *The Anti-Capitalistic Mentality* (South Holland, Illinois: Libertarian Press, 1972), p. 112.

When one argues for the free market on utilitarian grounds, one starts with particular actions by the individual. In starting with a natural rights argument the “a priori” becomes “the gift of life and liberty” as natural or God-given.

The utilitarians may be neutral or antagonistic regarding the origins of life and liberty, but this in no way weakens their explanation of the technical advantages of a free economic system. However, those who accept a natural rights philosophy have no choice whatsoever but to accept laissez-faire capitalism.

Mises’s utilitarian defense of the market opens political careers for those who believe in liberty, courage, and even dares one who truly believes in the system to present it in political terms.

Mises in *Human Action* says:

The flowering of human society depends on two factors: the intellectual power of outstanding men to conceive sound social and economic theories, and the ability of these or other men to make these ideologies palatable to the majority.¹⁸

Ludwig von Mises certainly provided sound economic and social theories. I hope that my modest success in politics may encourage others to try it, and help prove Mises “wrong,” showing that a political career *is* open to men and women who do not identify themselves with the interests of a pressure group, but with the liberty of all.

¹⁸Mises, *Human Action*, p. 860.



Dr. Ron Paul represents the 14th district of Texas in the U.S. House of Representatives. A graduate of Gettysburg College and Duke University Medical School, he is President of the FREE Foundation, Chairman of the Liberty Study Committee, and Distinguished Counsellor to the Ludwig von Mises Institute.

LUDWIG VON MISES INSTITUTE
518 West Magnolia Avenue
Auburn, Alabama 36832-4528
www.mises.org

