

LIBERTARIANISM TODAY

Jacob H. Huebert

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Jacob H. Huebert



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What Is Libertarianism?

Is libertarianism an idea whose time has come? Maybe not. In 2008, Americans elected a president who openly urges a bigger, more invasive government. The federal government is taking over businesses and dominating industries in unprecedented ways, spending trillions of taxpayer dollars along the way. Across the country, innocent men, women, and children are being brutalized by increasingly militarized police supposedly waging war on terror, drugs, and crime. American troops remain in Iraq, Afghanistan, and over a hundred other countries around the globe. Every day, in nearly every way, government only gets bigger and more inhumane.

On the other hand, libertarians do have some cause for hope—more now, perhaps, than at any other point in our lifetimes. Libertarianism used to be of interest only to a scattered handful of students and activists; the movement was so small that it seemed like everyone in it knew everyone else in it. Today, libertarians are not a majority, but they are innumerable and they are everywhere.

The biggest sign of hope has been the presidential campaign of Ron Paul, the Texas Congressman and physician who sought the Republican nomination in 2008. He did not win or even come close, but something in his candidacy, which focused on the libertarian themes of peace and freedom, touched a nerve with a lot of people.

The Paul campaign's success on the Internet and at the grassroots level is well known, but it is worth a brief review to show how many people supported him and how intense their support was. In November 2007, Paul received donations of over \$4 million online in one day through a "money-bomb" organized by a supporter, music promoter Trevor Lyman, not by the campaign. The next month, supporters broke *that* record by donating another \$6 million in one day. Paul ultimately racked up more donations than any other Republican contender for the fourth quarter of 2007, with nearly \$20 million. The donations were not from the usual political players, but from ordinary people across the country, many of whom had never before made a campaign contribution to anyone, donating an average of just \$100 each.

The outpouring of online support was so overwhelming that the official campaign was not quite ready for it—no libertarian candidate had ever been so well funded. But as the campaign worked to catch up, eager supporters took it upon themselves to make their own campaign signs and hold their own rallies. They thought of innovative ways to attract attention, from unfurling "Ron Paul" banners at nationally televised events to renting a blimp with "Google Ron Paul" emblazoned across the side. They also took to the Internet to make sure that Paul won as many online polls as possible (and he won most of them); they sent e-mails to news networks urging them to cover Ron Paul; and they made sure that Ron Paul would not go unmentioned in the comment section appearing below any news story related to the election. Some traveled to New Hampshire and Iowa on their own dime to campaign, led in part by a Google engineer who left his lucrative position to volunteer full-time. The septuagenarian candidate also drew crowds of enthusiastic young people at college campuses, and people from all social and economic backgrounds everywhere else. And though Paul did not win the Republican nomination, he did win over 1.1 million votes and some convention delegates. Not bad, especially when compared to one-time front-runner (and Paul critic) Rudolph Giuliani's less than 600,000 votes and zero delegates.

Paul drew all this support because he presented a clear, credible alternative to the other options in both parties. While Paul decried the growth of government and its destructive foreign and monetary policies, other politicians from both parties not only did not care about this, but wanted to go further in the wrong direction. Some people who considered themselves conservative came to Ron Paul after they saw their party embrace "big-government conservatism," lead the country into war on false pretenses, create a domestic police state, and spend like Lyndon Johnson. Some people who considered themselves liberal found their way to Ron Paul, too, as the Democrats failed to live up to their occasional anti-war rhetoric and also failed to seriously challenge the police state, corporate welfare, the monetary system, and other programs that

benefit the elite in business and government at the expense of ordinary people.

Ron Paul's campaign was unique partly because it was all about ideas. In the wake of the campaign, a surge of newcomers to the libertarian movement have sought more information on these ideas—and the information has been available as never before. Less than two decades ago, libertarians had to scrounge for literature, getting what they could from a limited selection in a few catalogs and whatever happened to be on their local library or bookstore shelf. Today, an enormous library of libertarian literature, including hundreds of full-length books and countless scholarly and popular articles, is available online for free.

Education of oneself and others has always been libertarians' foremost activity, but libertarians today are fighting back by other means, too. Some are moving to New Hampshire in hopes of creating a "free state" there by influencing local and state governments. Some are going to court to challenge laws that restrict freedom, and in some very high-profile cases, they are winning. Some are creating alternatives to government programs, such as the home-schooling movement.

Another reason why libertarians may have an unusually good opportunity to see their ideas advance now is because there is an economic crisis and, if libertarians are correct, the government's attempts to fix it will only make things worse. This may open more people's minds to question the policies that led to the crisis, the hundreds of billions of dollars spent keeping troops in Iraq and around the world, and the countless other ineffective, oppressive programs we may no longer be able to afford. Libertarian economist Milton Friedman observed that in a time of crisis, when the people and government are desperate to solve a problem, "the actions that are taken depend on the ideas that are lying around,"¹ and what once seemed politically impossible may become politically inevitable. Perhaps that time has come for libertarian ideas.

WHAT IS LIBERTARIANISM?

Before we say much more about libertarianism, we should define what libertarianism is and briefly look at the history of the libertarian movement.

The Libertarian Idea

This is the basic libertarian idea: that people should be free to do "anything that's peaceful," as libertarian thinker Leonard E. Read put it.² That means, in the words of libertarian theorist and economist Murray Rothbard, that "no man or group of men may aggress against the person or property of anyone

else.”³ Or, to rephrase it one more time, anyone should be free to do anything he or she wants, as long as he or she does not commit acts of force or fraud against any other peaceful person. Libertarians call this the “non-aggression principle.”

In everyday life, people understand and follow this basic libertarian rule. If you want something and it belongs to someone else, you have to persuade him or her to give or sell it to you—you cannot just steal it or threaten to hit the other person over the head if they refuse to part with it. If you do not like the books your neighbor is reading, or the religion he is practicing, or most anything else he is doing in the privacy of his own home, too bad—you cannot go force other people to do what you want them to do.

Libertarians extend this rule to the political realm. If one person cannot steal money from another, then the government (which is made up only of individual people) should not be allowed to forcibly take money from people, even if it is called taxation. If one person cannot kidnap another person and force him into slavery, the government should not be allowed to do it, either, even if it is called a draft (or “national service”). If one person cannot go into his neighbor’s house and force him to give up bad personal habits, then the government should not be allowed to do it, even if it is called a war on drugs. And so on.

Libertarians do not just morally object to the government doing these things; they also see government as incompetent. And they view politicians as nobody special. After all, why would having the skills it takes to be elected—the ability to give empty speeches pandering to the lowest common denominator, to kiss babies, and the like—make a person an expert on everything, capable of “running the economy,” or otherwise directing people’s lives? Why would succeeding in politics make someone an expert on *anything* other than politics itself? Libertarians also recognize that politicians are not altruistic, but are self-interested like everyone else. And as endless scandals demonstrate, the types of people who want power over others tend to be of *lower* character than the rest of us. Plus, the free-market economic theory to which libertarians subscribe says that government intervention in people’s voluntary exchanges will make people worse off and that central planning of the economy by anyone, regardless of their motive, is certain to fail.

Viewed through this libertarian lens, most politicians and bureaucrats are not public servants at all. Instead, through their legalized killing and stealing, they constitute the world’s largest and most successful criminal gang. Their gang is so successful, of course, because most people do not think of it as criminal. We are trained from a young age to respect it and view it as necessary, so most of us acquiesce without thinking.

Many people will find this libertarian view of government strange, but libertarians find it strange that people would view the State in any other way.

After all, by one scholar's estimate, governments killed 170 million of their own people in the twentieth century.⁴ Then there are the many others killed in wars. Then there are the countless people whose deaths by government are unseen—those who die, for example, because the government denies them the freedom to choose a potentially life-saving medical treatment or to procure an organ for transplant. Libertarians tend to think that if more people were aware of the ways in which government kills and steals on a massive scale, they would be less likely to assume that government is a benevolent institution.

Taken all the way, the libertarian idea means that no government is justified—any government is a criminal enterprise because it is paid for by taxes and people are forced to submit to its authority. Many libertarians (including this author) *do* go that far. But many others (Ron Paul is one) stop just short of this and are willing to accept a minimal “night watchman state,” as philosopher Robert Nozick put it, to provide for common defense, police, and courts because they believe only government can effectively provide these services. But even those small-government libertarians (or “minarchists,” as they are sometimes called) believe that government cannot be trusted and must be watched vigilantly because it is so likely to exceed its boundaries.

Having said all that, not everyone defines libertarianism in exactly the same way. The definition just reviewed is a primary definition that has guided the modern libertarian movement, though, and it is the definition we will apply in this book. And for the most part, we will not concern ourselves much with the difference between no-government libertarians and minimal-government libertarians. Nor will we concern ourselves with how many exceptions to the basic libertarian rule one can make before that person no longer “counts” as a libertarian. But we will say now that a given policy can only be called libertarian if it calls for reducing or abolishing the power of government over individuals, and that any policy that maintains or increases the government's power is anti-libertarian.

Libertarianism and Morality

To accept libertarianism, at least in its purest form, one has to agree with the non-aggression principle—the idea that it is wrong to defraud or use aggressive force against another person. Why would someone accept that idea? Libertarians do so for different reasons. Some believe in the non-aggression principle because they believe people have natural rights, either given by God or somehow inherent in man's nature. Others do because their religion tells them that murdering and stealing are wrong. Others do, not because they believe in “rights,” but simply because they believe that following the non-aggression principle will lead to the greatest good for the greatest number.

It should be clear, then, that libertarianism is not a complete moral philosophy or a philosophy of life. It is just a political philosophy, and one can come to libertarianism from a variety of angles. As Murray Rothbard put it:

[L]ibertarianism per se does not offer a comprehensive way of life or system of ethics as do, say, conservatism and Marxism. This does not mean in any sense that I am opposed to a comprehensive ethical system; quite the contrary. It simply means that libertarianism is strictly a *political* philosophy, confined to what the use of violence should be in social life.⁵

That means libertarianism has nothing to say about how one should live one's life within the broad limits of peaceful activity. For example, libertarianism says that it is wrong to forcibly prevent someone from using marijuana, but it has nothing at all to say about whether you should use marijuana or should abstain. Libertarianism says that you should be free to have voluntary sexual relations with any other willing adult, but it has nothing to say about whether you should be chaste, promiscuous, or something in between. Instead, each individual has to bring his or her other philosophical or religious views to bear on such questions. The point may be simple enough, but as we will see in the next chapter, it is lost on some people (including, unfortunately, some libertarians) who conflate libertarianism and libertinism.

LIBERTARIAN ECONOMICS

There really is no such thing as “libertarian economics.” Economics is just a science that studies production, consumption, exchange, and related topics. Economics can explain what effects certain policies will cause, but it does not dictate what ends we should want. Nonetheless, economics is extremely important to libertarians because libertarians believe that economics shows that liberty—that is, a free market that protects private property rights and voluntary exchange—makes people better off, and that government restrictions on liberty make people worse off.

Voluntary Exchange and Private Property

Critics sometimes deride libertarians for saying that various problems should be “left to the market.” But when libertarians refer to “the market,” they just mean individuals freely making voluntary exchanges with each other. In a voluntary exchange, the trading partners necessarily make each other better off because each person gives up something he or she values less for something he or she values more. What is rarely said, but true, is that the people who want

to interfere with “the market” actually want to use physical violence (or the threat of it) to stop others from making voluntary exchanges—that is, from making choices that they believe will make themselves better off. These meddlers in the market want to forcibly substitute what they think people *ought* to want for what people *actually* want. Libertarians oppose this.

Libertarians observe that on a mass scale, voluntary exchange in the market makes society *much* better off. As Adam Smith famously observed, people pursuing their own self-interest unwittingly benefit society in the process. The successful businessman in a free market can make money only by persuading large numbers of people to give him their money in exchange for what he is offering and then pleasing them enough that they will want to come back for more. Contrary to the popular perception, consumers in a free market are not at the mercy of businesses, but businesses are at the mercy of consumers. In a free market, only those businesses that are best at providing what consumers want, at the best price possible, will succeed. Similarly, a worker will earn money in proportion to the value of the service he provides to his fellow man.

In the nineteenth and early twentieth centuries, a relatively free market gave rise to a dramatically improved quality of life for the average person in America. Wages increased—for example, worker’s earnings went up by about 60 percent just between 1860 and 1890—and the variety of goods available greatly expanded.⁶ Entrepreneurs such as Henry Ford made previously unimaginable luxuries such as automobiles available to the ordinary working person. Since then, countless miracles that were unimaginable to even the wealthiest people of centuries past—airline flights, televisions, computers, air conditioners, and so much else—are now available to ordinary people, even relatively poor people, who cannot imagine life without them.

Libertarians emphasize that such an explosion of wealth could never have come about through central planning. This is so in part because no one could possibly have the knowledge to organize such a system. In his classic essay entitled “I, Pencil,”⁷ Leonard E. Read illustrated this point by observing how many different people have to act to bring a single pencil into existence. Trees must be cut for the wood—but before that saws must be made, and all the different parts of saws. And ropes. And loggers have to get to the trees. And loggers probably drink coffee—which itself takes countless thousands of individuals to produce and deliver. Then there is the paint to cover the pencil, the graphite inside the pencil, the metal that holds the eraser, and the eraser itself. All these components have an “ancestry” that involves thousands of people across the world voluntarily coordinating their actions. No single one of them knows all he or she would need to know to produce the pencil from scratch, and none of them needs to know. And, of course, no central planner could have arranged any of this, and none needed to. No one has or could

have the knowledge that would be needed to put this system together. Economist Friedrich Hayek called the market's ability to voluntarily organize in this way "spontaneous order." Libertarians favor this and oppose command and control.

Capitalism versus the Status Quo

America's economy is often called free-market or "capitalist," but that is not true. The U.S. economy is hampered by countless interventions: trade barriers, corporate welfare, wage controls, price controls, regulation, occupational licensure, antitrust laws, compulsory unionism, taxes, and so much else. So when libertarians defend free-market capitalism—or certain capitalist aspects of America's past or present economy—one should not assume that libertarians are defending the status quo. Instead, libertarians would say that *to the extent* we have had a relatively free market, we are better off. Libertarians point to annual "economic freedom indexes" compiled by the Fraser Institute (a Canadian think tank) and by the *Wall Street Journal* and the conservative Heritage Foundation, which consistently show that the countries with the most economic freedom tend to have the highest incomes and economic growth, while those with the least economic freedom—think Cuba and North Korea—are the least well off.⁸

Because we do not have a true capitalist economy, but have an economy that is still relatively free in some important respects, libertarians view many players in our current economy as being part hero and part villain. For example, most libertarians see Wal-Mart as heroic for providing consumers with a wide array of goods at low prices. Wal-Mart became as successful as it did largely because it was better at serving consumers than its rivals. But libertarians see Wal-Mart as villainous when, for example, it persuades a local government to use eminent domain to take property to build one of its stores. In our current mixed economy, few businesses are "pure"—so libertarians do not defend big business per se, but only those aspects that are compatible with genuine free-market capitalism.

Schools of Thought

Libertarians advocate free-market economics—that is, they promote economic ideas that show why free markets are beneficial and government intervention is harmful. Do libertarians choose their ideas about economics to support their preconceived political ideas? Maybe some do, but for many, an understanding of free-market economics is what leads them to libertarianism in the first place. That is, they see the failures of government intervention

and the wealth created by the market, learn the causes and effects, and form their political ideas accordingly. For many people, free-market economics reinforces what their intuition, moral views, and observations already suggested.

Of course not all economists, and not even all free-market economists, agree about everything. But there are important economic questions on which nearly all economists, regardless of their political stripes, agree, which support libertarian positions. For example, the overwhelming majority of economists agree that, other things being equal, minimum-wage laws create unemployment, price controls cause shortages, and people are better off under free trade than under protectionism. On other questions, free-market economists stand apart from the rest of their profession. Free-market economists see government spending (including so-called “stimulus” spending) as harmful to the economy. Some economists argue that there is such a thing as “market failure,” where people participating in markets do not do what economists think they should do, but free-market economists would argue that this is a myth, and that most so-called “market failures” are actually the result of *government* failure. Then there is the issue of money. Unlike most economists, free-market economists (at least those of the “Austrian School,” about which more below and in Chapter 3) believe that the market can provide money just as it provides everything else.

Among free-market economists, there are two main schools of thought: the Austrian School and the Chicago School. The Austrian School, which arose in the late nineteenth and early twentieth centuries, is so named because its founder, Carl Menger, and many of its early adherents, such as Ludwig von Mises and Friedrich Hayek, spent at least part of their careers living and working in Vienna. The Chicago School, which arose in the mid-twentieth century, is so named because its leading thinkers, such as Milton Friedman and George Stigler, were part of the University of Chicago’s economics department.⁹

We cannot possibly do justice to the differences between the two schools in this brief overview. The fundamental difference, however, is one of *methodology*—that is, it is a disagreement about how economists should go about studying the economy.

Applying a method called *praxeology*, Austrian economists look at individual action as the basis for understanding economics. Austrians observe that people act to express their preferences and achieve goals, and from this premise Austrians are able to reason about all manner of economic phenomena. Austrians emphasize that our preferences and the utility we enjoy from things are subjective; they exist in our heads, cannot be measured, and cannot be compared between people. The only way to know, then, what maximizes people’s utility is to observe what people freely choose.

In contrast, the Chicago School looks not to individuals, but to mathematical models and relationships between statistical aggregates, and then bases its theories and predictions on what these seem to show. For the Chicagoans, if there appears to be a statistical correlation between two things, then economists can claim that there is a relationship between them—even if there is no apparent *logical* connection between them that we can trace back to individual actors. Austrian economist Richard Ebeling illustrates this point with a *reductio ad absurdum*: to a Chicagoan, “if a strong correlation was found between the anchovy catch off the coast of Peru and business-cycle fluctuations in the United States, this would be considered a good predictive theory, regardless of any real causality between these two measured events.”¹⁰ Also, unlike the Austrian School, the Chicago School’s methodology allows economists to assume that we *can* measure and compare different people’s utility.

These theoretical differences between the Austrian and Chicago Schools are enormous, but economists of both schools tend to agree that free-market policies lead to prosperity. Because they believe that voluntary exchange maximizes utility across society (and for other reasons), Austrians find very few cases, if any, where government intervention could create greater prosperity. Chicago economists also generally disfavor government intervention for a different reason: because statistical evidence tells them that free-market policies make people better off. The Chicago view, however, allows for more exceptions than the Austrian view. If statistics suggest to a Chicago economist that an intervention would make people better off, then he or she may favor it. Austrians, on the other hand, would say that their economic theories cannot be proven or disproven with statistics. Instead, Austrians rest their conclusions on logic, extrapolating from fundamental premises about the nature of human action; so if other economists’ statistics suggest Austrian conclusions are wrong, then those statistics must be incorrect, incomplete, or based on unrealistic assumptions.

The most significant policy disagreement between Austrian and Chicago economists pertains to monetary policy. Austrians tend to believe that money should be left to the free market to avoid inflation and business cycles; Chicagoans tend to believe that government must control the money supply. Chicagoans are also more likely to see “market failure” that can be solved by government than Austrians are, and to see a need for other government interventions such as antitrust laws.

Because their methods are closer to the mainstream, and their conclusions allow a greater role for government, Chicago School economists have had more influence than Austrian School economists. Chicagoans are also more numerous. On the other hand, the Chicago economists’ inconsistent support for *laissez-faire* makes them less appealing to the most principled libertarians, and opens their defense of the free market to more compelling criticisms.

THE LIBERTARIAN MOVEMENT

Libertarian ideas have ancient roots, but the “libertarian movement” is a relatively recent phenomenon. Before we spend the rest of the book talking about libertarian ideas today, we should quickly review the history of libertarianism so far.

Origins of Libertarian Thought

One can find hints of libertarian thought in a variety of ancient sources, from the Bible to Lao Tsu. One starts seeing the bigger seeds of libertarian thought in writings by Cicero and Thomas Aquinas on natural law. According to natural law theory, the law is not whatever the government says it is, but instead is something “higher” that exists before government, and which binds kings and other rulers just like everyone else. Spanish Scholastic scholars also had much to say on individual rights and economics that resembles modern libertarian thought. So did the “Levellers,” a group that argued for individual rights in seventeenth-century England.

Libertarians were the original liberals. Liberalism arose in the seventeenth century as a political philosophy that gave primary importance to individual liberty. John Locke is widely regarded as the first true liberal. Like many or most libertarians today, Locke believed that each person owns his or her own body and for that reason has a natural right to life and liberty. By mixing their labor with previously un owned parts of the Earth, people can create property, in which they have property rights. For Locke, government could only be justified as something people consented to as a means of protecting their natural rights. There are nuances in Locke’s thought that are beyond the scope of this book, but that is the essence of Locke’s contribution: a system of individual, libertarian natural rights that came to be known as “liberal” thought.

Why “liberal”? Because “liberal” was the most obvious term for a political philosophy that maximizes individual *liberty*. Unlike today’s liberalism, this type of liberalism, now known as “classical liberalism,” did not call for government to fund any sort of welfare state or to impose one group’s social values on another. It simply called for individuals to have equal rights—that is, equal, maximum liberty—before the law.

Liberalism caught on in America as the country’s founding generation, notably including Thomas Paine and Thomas Jefferson, took up Locke’s ideas. The Declaration of Independence forcefully states the liberal idea that people have “unalienable Rights,” including “Life, Liberty and the pursuit of Happiness,” and that people may cast off any government that is “destructive of these ends.”

Liberal ideas enjoyed great success in England, France, and the United States, and led to great prosperity for the Western world, but by the late nineteenth century, liberal thought had mostly fizzled for a variety of reasons. Over time, the people calling themselves “liberals” became like the liberals we know today: socialists or welfare statistes. By the early twentieth century, liberals of the old school were few and far between. As we will see in the next chapter, only a handful remained to oppose the onslaught of Franklin Delano Roosevelt’s New Deal, and they mostly faded away after World War II.¹¹

The Foundation for Economic Education

Franklin Roosevelt’s New Deal permanently enlarged the federal government and inspired a new generation of libertarians to stand against the intellectual tide, lest liberty be lost forever.

One of the instigators of this new movement was Leonard E. Read, a former head of the Los Angeles Chamber of Commerce. With the backing of a number of business leaders and the leading libertarian intellectuals of the day—most notably economist Ludwig von Mises and *New York Times* and *Newsweek* writer Henry Hazlitt—Read established a nonprofit think tank (as one might call it today) in 1946 called the Foundation for Economic Education (FEE) in a mansion in Westchester County, New York, just north of New York City.

FEE was the most important institution in the early decades of the modern libertarian movement. Its approach to advancing its ideas was unusual for its time and would be unthinkable to most think tanks today. Instead of activism, FEE focused exclusively on helping people educate themselves. Following the example of libertarian journalist Albert Jay Nock, Read believed that a person should focus first and foremost on improving the one unit of society over which one has true control: one’s self. By educating oneself in libertarian principles and free-market economics, one could share the “freedom philosophy,” as Read called it, with others who were interested, and gradually the ideas would spread. Liberty was not something that could be imposed from the top down; it would have to come from widespread support among a “Remnant,” that small group of people keeping the ideas alive and slowly spreading them. Some accused FEE of preaching to the choir by limiting its reach like this, but in those dark days for liberty and libertarianism, the choir needed the attention, and needed to be built up slowly but steadily on a firm foundation.

This approach meant that FEE did not use mass marketing or mass media to spread its message. Nor did it send people to Washington to lobby Congress. Instead, it published a monthly magazine, *The Freeman*, with short articles written for the intelligent layman that explained the basics of liberty and free-market economics. The magazine was sent to people who asked for it and to

schools; it was not available on any newsstands. (It is still published and can be read for free at <http://www.thefreemanonline.org>.)

FEE published books, too, most notably reviving the work of nineteenth-century French political economist Frederic Bastiat. Bastiat's book, *The Law*, explains the libertarian view that when government takes from one group to give to another, this is nothing but "legal plunder." Bastiat's essays on economics illustrated free-market principles, often using wit and satire. In "What Is Seen and What Is Not Seen," Bastiat demolished the idea so often expressed by pundits and politicians that disasters and wars are good for the economy because they create jobs. Of course, people only see the job that is created; they do not see the things the money would have been spent on and the jobs that would have been created if the wealth-destroying disaster had never occurred. In "The Candlemakers' Petition," Bastiat ridiculed economic protectionism with a fictional demand by candlemakers for the government to block their major competitor, the sun, so everyone would be forced to buy candles to see.

FEE's approach may seem small-scale and simple, but its impact was huge. Generations of young people (including this author) received their introduction to libertarian ideas through copies of *The Freeman* passed along by a friend or relative. Leonard Read and other FEE staff members toured the country giving lectures (only where invited, never as "missionaries") and persuaded people who became supporters of the cause and in turn introduced others to the ideas. FEE's students would also go on to find new ways to advance the cause and grow the movement.

Ludwig von Mises and Austrian Economics

We mentioned Ludwig von Mises and Austrian economics above. We should say more about who Mises was and why he is important.

Mises was an economist who was born and lived most of his life in Austria. He did not begin his career as a dogmatic libertarian, and he never accepted the idea of natural rights. Instead, he was an economist searching for truth about which policies make for economic prosperity. This work led him to a number of conclusions that are important for libertarianism. One conclusion was that laissez-faire capitalism (economic liberty) is the only means for a society to become prosperous. Another conclusion—explained in his 1922 book, *Socialism*—was that central planning of an economy was destined to fail because the planners could not engage in economic calculation without a market price system, and economic chaos would result if they tried. Another important insight of Mises was that "middle of the road" interventionist policies cannot last—any government intervention in the economy is certain to create new

problems, which the government can respond to by either repealing the bad policy, or heaping new policies on top of it (which in turn will fail, and so on).

When the Nazis came to power, Mises, who was of Jewish ancestry, fled Austria to Geneva and eventually to New York City. Though he was once a leading intellectual light of Europe, his ideas had long since fallen out of fashion when he arrived in America, and he struggled to find a teaching position. With the help of libertarians who knew of him and his plight, especially Henry Hazlitt, Mises found a position at New York University.

At NYU, Mises taught a weekly seminar, which was attended not only by enrolled students but also by area libertarians. Among the young attendees who would go on to play a major role in the world of free-market economics and libertarianism was Murray Rothbard, who would become one of the movement's leading economists and political theorists.

Mises remained prolific to a late age, writing books and articles, most notably including his 1949 treatise, *Human Action*, a comprehensive case for the free market as the foundation of civilization. Though mostly ignored by the mainstream economics profession after his move to America, Mises's work found its way to students of free-market economics—including, eventually, to Ron Paul, whose views on economics were largely shaped by Mises, Rothbard, and one of Mises's students from his Vienna days, Friedrich Hayek.

Hayek, like Mises, worked in the Austrian School tradition, and in the late 1920s and 1930s he built on Mises's work to study business cycles—why economies have booms and busts. (More about this and its relevance to our recent economic woes in Chapter 3.) Hayek eventually moved to the London School of Economics, and in 1944 he published *The Road to Serfdom*, which, thanks to a prominent *New York Times* review by Hazlitt, received considerable mainstream attention and even a *Reader's Digest* condensed edition. In that book, Hayek argued that central economic planning leads inevitably to tyranny, as it had in Hitler's Germany and the Soviet Union. The book was not purely libertarian—Hayek allowed for more government than most libertarians would—but against the backdrop of a world that considered fascism and socialism to be the way of the future, it was radical.

Hayek eventually came to America as well and taught for some time at the University of Chicago before returning to Europe. Hayek's later work focused less on economics and more on topics such as the philosophy of science and political philosophy. Though Hayek was never a pure libertarian, he was close, and came closer in some respects over his lifetime. Because of his influence and undeniable genius, Hayek remains an inspiration to libertarian intellectuals, even if his challenging, German-influenced prose makes him less accessible to laymen, and his less-than-pure libertarianism makes him less interesting to radicals.

Murray Rothbard, whom we have mentioned, was a radical by any measure and saw no legitimate role for government. His impact on libertarianism came at least as much through his deliberate attempts to build the movement as through his prodigious output as an economist, political philosopher, and historian. Unlike Mises and Hayek, who were utilitarians, Rothbard did believe in natural rights and systematically explained his rights-based libertarian political ideas in books such as *For a New Liberty* and *The Ethics of Liberty*.

Rothbard intentionally sought to build a libertarian movement that he hoped would see results sooner rather than later. He insisted on purity among libertarians, considering it essential to have a “cadre” that would not waver on principle. He brought together all the key strands of libertarian thought up to that time into one consistent system that integrated anti-imperialism, individualist anarchism, Austrian economics, natural-rights theory, and Jeffersonian decentralism. Though Rothbard emphasized purity, he also sought political alliances that libertarians could use to achieve real-world success. He became involved in the Libertarian Party and played a role in the foundation of the Cato Institute and the Ludwig von Mises Institute—about which more below.

No discussion of modern libertarian economists would be complete without a mention of Milton Friedman. Unlike Mises, Hayek, and Rothbard, Friedman was a member of the Chicago School, not the Austrian School. Still, Friedman mostly advocated the free market, even though he did not support monetary freedom, which many libertarians consider crucial, and even though he was more open to government intervention in general than the likes of Mises or Rothbard. And Friedman was influential—policymakers consulted him, for better and for worse, and he played a role in convincing Richard Nixon to end the draft. Also, his book *Capitalism and Freedom* introduced many to free-market economics.

Ayn Rand and Objectivism

Ayn Rand is another central figure in twentieth-century libertarianism. She is best known for two big, important novels, *The Fountainhead* (1943) and *Atlas Shrugged* (1957), and for the philosophy of Objectivism that she espoused in them and in nonfiction works such as *The Virtue of Selfishness* (1964). Unlike libertarianism, Objectivism is a complete philosophy of life, not just a political philosophy. Rand’s individualistic philosophy emphasized the ideas that reality is what it is (she rejected the supernatural); that a person should learn about the world by using reason; that a person’s own life should be his or her highest value (that is, a person should be rationally selfish); and that laissez-faire capitalism is the only political system consistent with humans’ nature as rational beings.

Rand was a bestselling author in her time, and her work remains highly popular. As of 2007, her books were selling three times the number sold in the early 1990s. In the first half of 2009, *Atlas Shrugged* sold 25 percent more copies than it had sold in all of 2008, presumably because the book's vision of a country and its economy falling apart as government planners take over major industries appeared to be coming true. Two organizations, the Ayn Rand Institute (which was founded by Rand's chosen "intellectual heir," Leonard Peikoff and is hostile to non-Objectivist libertarians) and the Atlas Society (a group more friendly to libertarians) continue to promote Rand's ideas, and a scholarly *Journal of Ayn Rand Studies* has been published semi-annually since 1999.

Ayn Rand was once one of the primary paths by which people discovered libertarian ideas—maybe the leading path. (A satirical memoir on the libertarian movement of the 1960s was called *It Usually Begins With Ayn Rand*.) Many Rand readers followed her recommendation to read Mises, which in turn led them to a larger libertarian world. Despite Rand's novels' continued popularity, Rand is probably not quite the leading "gateway drug" to libertarianism she once was. In the 1950s and 1960s, there were not many other paths available, especially in bookstores and libraries. Now, information on libertarianism abounds on the Internet, and most of it has nothing to do with Rand or Objectivism. In addition, many people who are receptive to libertarianism are repelled by some aspects of Rand's work—for example, her insistence that others share her preferences in art and music, her hatred for religion, and her philosophy's selfish ethics.

Libertarians in Politics

Many voters know the word "libertarian" only from the Libertarian Party (LP), whose candidate they make sure not to vote for on their presidential ballot every four years. Like FEE and the later Ron Paul movement, the LP arose in response to especially bad times for liberty; founder David Nolan decided to form it after President Nixon abolished the gold standard and imposed wage and price controls in 1971.

The LP's founders didn't delude themselves with the idea that they would win elections for high office anytime soon. Instead, they saw the Party as another way to get the word out. Many libertarians, including Leonard Read, disapproved of this approach because political campaigns by their nature tend to be more about slogans and getting votes than communicating substantive ideas. Others such as Rothbard were initially skeptical but eventually became involved, at least for a time.

The LP ran its first presidential candidate, philosopher John Hospers, on just two states' ballots in 1972. Though the ticket received fewer than 3,000

popular votes, it oddly received an electoral vote from a libertarian member of the Electoral College who defected from Nixon. (Tonie Nathan, the Libertarian VP candidate, became the first woman to receive an Electoral College vote.) That elector, Roger MacBride, became the Libertarian presidential candidate in 1976 and performed better, with 0.21 percent of the popular vote.

The 1980 Libertarian ticket consisted of corporate lawyer Ed Clark and oil billionaire David Koch. Koch and his brother, Charles, had begun funding libertarian causes in the 1970s. With Koch putting more than \$2 million of his own money into the campaign, the ticket received nearly a million votes and over one percent of the total.

That campaign has been the peak of Libertarian Party success to date. Subsequent presidential campaigns, including Ron Paul's 1988 campaign on the Libertarian ticket, have received closer to 0.5 percent of the popular vote, sometimes less. (Paul joined the Libertarian Party only for the purpose of his presidential run; he has served in Congress as a Republican from 1976 to 1977, 1979 to 1985, and 1997 to the present.) In 2008, the Libertarian Party nominated former Republican Congressman Bob Barr and seemed to change its focus—about which we will say more in Chapter 11.

Libertarian Institutions

The Koch brothers and some other libertarians, including Edward Crane (chairman of the Libertarian Party for much of the 1970s) and Rothbard, wanted to advance libertarianism on multiple fronts, so they founded the Cato Institute in 1977. Unlike FEE, Cato would deliberately engage in the public-policy discussions of the day, but unlike other policy outfits, it would be based in San Francisco, not Washington, DC. At first, Cato published a magazine, *Inquiry*, which avoided using the word “libertarian” and attempted to appeal to people on the left and right who had some libertarian sympathies. Cato also published scholarly work by the likes of Rothbard.

Before long, Cato began to shift its emphasis. To appeal more to the mainstream, it moved away from Austrian School economics toward the Chicago School. After Ronald Reagan's election, it moved its headquarters from San Francisco to Washington, DC in hopes of better influencing policy. The magazine fell by the wayside.

Cato remains in Washington, steadily producing public-policy studies, op-eds, and books. As the endnotes to this book testify, its scholars' work provides a wealth of facts and statistics on the federal government's taxation, spending, and other doings. On the other hand, in its policy advocacy, Cato sometimes moves away from libertarian principle and advocates measures that are not libertarian, such as so-called private social security accounts or school vouchers.

Some libertarians see these policies as incremental steps toward liberty, but others, including this author, see them as dangerous steps away from liberty.

Following Cato's move, other libertarian or libertarian-leaning institutions have set up shop in the nation's capital. *Reason*, a widely distributed monthly libertarian magazine based in Los Angeles, now maintains a Washington office. The Institute for Humane Studies (IHS), founded by F.A. Harper in 1961 to promote libertarian scholarship, moved to the Washington, DC area in 1985. Among other things, IHS funds various scholars and holds free seminars for students at various universities around the country. The Institute for Justice, a public-interest libertarian law firm about which we'll say more in Chapters 6, 8, and 9, established its headquarters in Washington in 1991. Many of these Washington-based organizations, including the ones just mentioned, receive significant funding from the Kochs.

Cato's intellectual, strategic, and geographic moves prompted Rothbard to disassociate himself from it in 1981. The next year, he joined with former Ron Paul Congressional Chief of Staff Llewellyn H. Rockwell, Jr. to form the Ludwig von Mises Institute in Auburn, Alabama. (Mises died in 1973, but the project had the blessing of his widow, Margit von Mises, who served as its chair until her death.) The Mises Institute would be what Cato was not: an organization dedicated to advancing the ideas of Austrian economics and libertarianism with no public-policy compromises. As the DC-based organizations have downplayed the issues of monetary freedom and non-interventionist foreign policy, the Mises Institute has deliberately emphasized them. Also, in contrast with some of the Beltway groups, the Mises Institute would not aim its efforts at politicians and policymakers but, like FEE, at scholars and laymen.¹²

Today the Mises Institute is noted especially for its annual Mises University, a one-week intellectual boot camp in which students learn all facets of Austrian economics, and for its website, <http://Mises.org>, which hosts daily articles, hundreds of hours of audio and video lectures, a blog on economics and liberty, and scanned versions of hundreds of books, old and new, available to download for free. Rockwell also edits his own website, *LewRockwell.com*, which features a fresh slate of articles each day, has a blog, and is the world's best-read libertarian website.

Paul's campaign has taken many of the ideas emphasized by the Mises Institute and *LewRockwell.com* to a much larger audience. His campaign is the most recent major development in the libertarian movement—and that, of course, is where we came in.

THIS BOOK

That summary of libertarianism and libertarian movement history regrettably necessarily leaves out important issues, institutions, and people. But it at least provides some sense of what libertarianism is about and where it has been.