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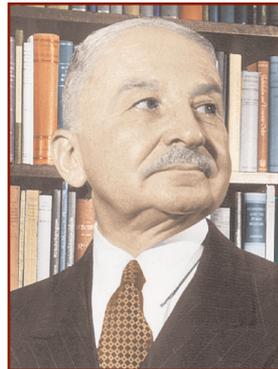
Ludwig von Mises

BY MURRAY N. ROTHBARD

Ludwig von Mises (1881–1973) was the economist and social philosopher of the twentieth century. In the course of a long and highly productive life, he developed an integrated, deductive science of economics based on the fundamental axiom that individual human beings act purposively to achieve desired goals.

Even though his economic analysis itself was “value-free,” Mises concluded that the only viable economic policy for the human race was a policy of unrestricted *laissez-faire*, of free markets and the unhampered exercise of the right of private property, with government strictly limited to the defense of person and property within its territorial area.

For Mises was able to demonstrate (a) that the expansion of free markets, the division of labor, and private capital investment is the only possible path to the prosperity and flourishing of the human race, (b) that socialism would be disastrous for a modern economy because the absence of private ownership of



Murray N. Rothbard (1926–1995) was dean of the Austrian School after Mises’s death.

land and capital goods prevents any sort of rational pricing, or estimate of costs, and (c) that government intervention, in addition to hampering and crippling the market, would prove counterproductive and cumulative, leading inevitably to socialism unless the entire tissue of interventions was repealed.

Holding these views, and hewing to truth indomitably in the face of a century increasingly devoted to statism and collectivism, Mises became famous for his “intransigence” in insisting on a noninflationary gold standard and on *laissez-faire*.

Mises did some of his most important work in the United States. In over two decades of teaching, he inspired an emerging Austrian School.

Effectively barred from any paid university post in Austria and later in the United States, Mises pursued his course gallantly. As the chief economic adviser to the Austrian government in the 1920s, Mises was single-handedly able to slow down Austrian inflation; and he developed his own “private seminar” which attracted the outstanding young economists, social scientists, and philosophers throughout Europe.

As the founder of the “neo-Austrian School” of economics, Mises’s business cycle theory, which blamed inflation and depressions on inflationary bank credit encouraged by central banks, was adopted by most younger economists in England in the early 1930s as the best explanation of the Great Depression.

Having fled the Nazis to the United States, Mises did some of his most important work in the United States. In over two decades of teaching, he inspired an emerging Austrian School in the United States. The year after Mises died in 1973, his most distinguished follower, F.A. Hayek, was awarded the

Nobel Prize in economics for his work in elaborating Mises's business cycle theory during the later 1920s and 1930s.

In his first great work, *The Theory of Money and Credit* (1912) Mises performed what had been deemed an impossible task: to integrate the theory of money into the general theory of marginal utility and price (what would now be called integrating "macroeconomics" into "microeconomics").

Mises, and his follower Hayek, developed this cycle theory during the 1920s, on the basis of which Mises was able to warn an unheeding world that the widely trumpeted "New Era" of permanent prosperity of the 1920s was a sham, and that its inevitable result would be bank panic and depression.

The policy prescriptions for business cycles of Mises-Hayek and of Keynes were diametrically opposed. During a boom period, Mises counseled the immediate end of all bank credit and monetary expansion; and, during a recession, he advised strict *laissez-faire*, allowing the readjustment forces of the recession to work themselves out as rapidly as possible.

In addition to setting himself against all the political trends of the twentieth century, Mises combated with equal fervor and eloquence what he considered the disastrous dominant philosophical and methodological trends, in economics and other disciplines. These included positivism, relativism, historicism, "polylogism" (the idea that each race and gender has its own "logic" and therefore cannot communicate with other groups), and all forms of irrationalism and denial of objective truth.

Mises also developed what he considered to be the proper methodology of economic theory—logical deduction from evident axioms, which he labeled "praxeology," and he leveled trenchant critiques of the growing tendency in economics and other disciplines to replace praxeology and historical understanding by unrealistic mathematical models and statistical manipulations.

Mises's most monumental achievement was his *Human Action* (1949), the first comprehensive treatise on economic theory written since World War I. Here Mises took up the challenge of his own methodology and research program and elaborated an integrated and massive structure of economic theory on his own deductive, "praxeological" principles. Finally, in 1957 Mises published his last major work, *Theory and History*, which, in addition to refutations of Marxism and historicism, set forth the basic differences and functions of theory and of history in economics as well as all the various disciplines of human action.

Mises's influence was remarkable, considering the unpopularity of his epistemological and political views. His students of the 1920s, even those who later became Keynesians, were permanently stamped by a visible Misesian influence.

Since Mises's death in New York City on October 10, 1973 at the age of 92, Misesian doctrine and influence has experienced a renaissance.

Taking the lead in this revival of Mises and in the study and expansion of Misesian doctrine has been the Ludwig von Mises Institute, founded by Llewellyn Rockwell, Jr. in 1982 and headquartered in Auburn, Alabama. The Mises Institute publishes scholarly journals and books, and offers courses in elementary, intermediate and advanced Austrian economics, which attract increasing numbers of students and professors. Undoubtedly, the collapse of socialism and the increased attractiveness of the free market have greatly contributed to this upsurge of popularity. ■



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