

The Austrian

A PUBLICATION OF THE MISES INSTITUTE



JOSEPH T. SALERNO

Why Government Hates Cash

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from the publisher

Jeff Deist

“Coins and bills are obsolete and only reduce the influence of central banks.”

Peter Bofinger, German economist and member of the German Council of Economic Experts

“The net benefit to society from giving up the anonymity of currency holdings is likely to be positive, including for tax compliance.”

Willem Buiter, Citigroup Chief Economist

At a recent Mises Circle event, one attendee thanked our speakers for providing her with “actionable substance.” Their presentations not only changed her way of thinking, but they also gave her practical ideas she could apply to her life.

If there is one piece of actionable substance you take from this issue of *The Austrian*, let it be this: take steps now to protect your financial assets — especially cash and precious metals — from the banking system. Cash and bullion are private, portable, and hard to tax. They also expose the insolvency of virtually all national and global commercial banks, which prefer docile customers who are satisfied holding wealth in the form of electronic blips on a screen.

**The
Austrian**

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Note: the views expressed in *The Austrian* are not necessarily those of the Mises Institute.

Thus as Dr. Joe Salerno explains in our cover story, the US government's War on Cash is being waged with the full support of commercial banks.

JP Morgan Chase, for example, recently announced it would not accept cash from customers wishing to make mortgage, auto finance, or credit card payments. Chase also now prohibits the storage of cash or precious metals bullion in its safe deposit boxes.

Meanwhile in Europe, capital controls seem inevitable in a time of *nominal* negative interest rates from the European Central Bank (ditto the Swiss National Bank, sadly). French and Italian retail banks already restrict cash withdrawals and outbound money transfers above certain amounts, while tourists in Greece are requesting hotels rooms with safes as cash in ATM machines becomes unreliable.

We've witnessed bank collapses in Iceland and Cyprus, and at this writing Greek banks have run out of cash and shut down ATM machines. Greece stands on the edge of an enormous default on public debt that will shake the euro to its core.

Given the tremendous instability of the European currency and banking system, the only question is: can the US be far behind Greece? After all, the Fed and the ECB are run by the same Ivy League economists applying the same policies.

The bottom line is this: getting "your money" from a bank has become a game of chance.

On a happier note, we recently finished our week-long Rothbard Graduate Seminar. Dr. Mark Thornton termed this year's attendees the best he's seen in sixteen years teaching the seminar. We hope you enjoy the photos of our diverse students representing not only the US, but also Poland, Brazil, Germany, Spain, France, Taiwan, and Bahrain.

The graduate students involved in the seminar represent the heart and soul of our mission: educating young scholars who go out into the world and apply the principles of Austrian economics in academia, finance, technology, and business. We deeply appreciate your support for programs like the Graduate Seminar, and we encourage you to visit Auburn to get a better feel for the great atmosphere during an upcoming student conference. I guarantee you will be encouraged by the work of these young men and women.



Also in this issue, David Gordon reviews *Why Nudge? The Politics of Libertarian Paternalism* by Cass Sunstein. Sunstein is the Left's favorite legal theorist, but he's out of his league here. His thesis involves supposed "behavioral market failures," instances where the plebes make personal choices with which Mr. Sunstein disagrees. Fortunately for us, Sunstein's overrated intellect — and his warmed over arguments for social engineering via legislation — are no match for Dr. Gordon.

Ryan McMaken takes us through the cinematic universe of the Marvel comics franchise, where parallels with the state's phony dichotomy between liberty and security abound. But in the end, the good guys often end up fighting against the weapons they created to fight the bad guys.

This issue also features a Q&A with Mateusz Machaj, an economics professor in Poland and another up-and-coming Austrian scholar. Matt was a standout Summer Fellow at the Mises Institute, and he's part of a Hoppean intellectual movement that sees Europe's future in decentralized and independent states (think Switzerland and Liechtenstein) rather than the dismal and unsustainable EU political project.

As always, we hope you enjoy *The Austrian* and we're grateful for your support. ■■■

Jeff Deist is president of the Mises Institute.

Joseph T. Salerno

Why Government Hates Cash



In April it was announced that Greece was imposing a surcharge for all cash withdrawals from bank accounts to deter citizens from clearing out their accounts. So now the Greeks will have to pay one euro per 1,000 euros that they withdraw, which is one-tenth of a percent. It doesn't seem very big, but the *principle* at work is extremely big because what they're in effect doing is breaking the exchange rate between a unit of bank deposits and a unit of currency.

Why would they do this? Why would they *want* to do this? Well, it's one of the anti-cash policies that mainstream economists have vigorously been promoting.

PAVING THE WAY FOR NEGATIVE INTEREST

To make the calculations easier, and to illustrate the effect, let's say that the Greek "surcharge" is ten dollars for every 100 dollars withdrawn. Now, instead of being able to convert one euro in your checking account into one euro in cash, on demand, you will only be able to buy one euro in cash by spending 1.10 euros in your bank accounts. That's a negative 10-percent rate in some sense. That is to say that you can only take out one euro from the bank if you're willing to pay 1.10 euros. So, you would only really get ninety cents for every dollar that you wanted to withdraw and that's very significant because this means it will be more expensive to buy an item with cash than with bank deposits.

At the same time, the Greek government made it very clear that if you deposit the cash in the banks, you don't get 1.10 euros of bank money for every euro you deposit.

So the system is now structured to lock the money in the banks. Now, what does that allow them to do? If you lose 10 percent every time you withdraw one euro in cash, they can lower the interest rate that you get on bank deposits to negative 5 percent, or negative 6 percent. You still wouldn't withdraw your cash from the banks even if the interest rate went negative.

What we are witnessing is a war on cash in which governments make it either illegal or inconvenient to use cash. This, in turn, allows governments the ability to spy on and regulate financial transactions more completely, while also allowing governments more leeway in manipulating the money supply.

THE ORIGINS OF THE WAR ON CASH

It all started really with the Bank Secrecy Act of 1970, passed in the US, which requires financial institutions in the United States to assist US government agencies in detecting and preventing money laundering. That was the rationale. Specifically, the act requires financial institutions to keep records of cash payments and file reports of cash purchases or negotiable instruments of more than \$10,000 as a daily aggregate amount. Of course, this is all sold as a way of tracking criminals.

The US government employs other means of making war on cash also. Up until 1945, there were 500 dollar bills, 1,000 dollar bills, and 10,000 dollar bills in circulation. There was even a 100,000 dollar bill in the 1930s

with which banks made clearings between one another. The US government stopped issuing these bills in 1945 and by 1969 had withdrawn all from circulation. So, in the guise of fighting organized crime and money laundering, what's actually occurred is that they made it very inconvenient to use cash. A one hundred dollar bill today has \$15.50 worth of purchasing power in 1969 dollars, when they removed the last big bills.

THE PROBLEM IS INTERNATIONAL

The war on cash in Sweden has gone probably the furthest and Scandinavian governments in general are notable for their opposition to cash. In Swedish cities, tickets for public buses no longer can be purchased for cash; they must be purchased in advance by a cell phone or text message — in other words, via bank accounts.

The deputy governor of the Swedish Central Bank gloated, before his retirement a few years back, that cash will survive "like the crocodile," even though it may be forced to see its habitat gradually cut back.

The analogy is apt since three of the four major Swedish banks combined have more than two-thirds of their offices no longer accepting or paying out cash. These three banks want to phase out the manual handling of cash at their offices at a very rapid pace and have been doing that since 2012.

In France, opponents of cash tried to pass a law in 2012 which would restrict the use of cash from a maximum of 3,000 euros per exchange to 1,000. The law failed, but then there was the attack on Charlie Hebdo and on a Jewish supermarket, so immediately the state used this as a reason for getting the 1,000 maximum limit. They got their maximum limit. Why? Well, proponents claim that these attacks were partially financed by cash.

The terrorists used cash to purchase some of the stuff they needed. No doubt, these murderers also wore shoes and clothing and used cell phones and cars during the planning and execution of their mayhem. Why not ban these things? A naked barefoot terrorist without communications is surely less effective than the fully clothed and equipped one.

Finally, Switzerland, formerly a great bastion of economic liberty and financial privacy, has succumbed under the bare-knuckle

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JOSEPH T. SALERNO
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tactics of the US government. The Swiss government has banned all cash payments of more than 100,000 francs (about \$106,000), including transactions involving watches, real estate, precious metals, and cars. This was done under the threat of blacklisting by the Organization of Economic Development, with the US no doubt pushing behind the scenes. Transactions above 100,000 francs will now have to be processed through the banking system. The reason is to prevent the catch-all crime, of course, of money laundering.

Chase Bank has also recently joined the war on cash. It's the largest bank in the US, a subsidiary of JP Morgan Chase and Co., and according to *Forbes*, the world's third largest public company. It also received \$25 billion in bailout loans from the US Treasury. As of March, Chase began restricting the use of cash in selected markets. The new policy restricts borrowers from using cash to make payments on credit cards, mortgages, equity lines, and auto loans.

Chase even goes as far as to prohibit the storage of cash in its safe deposit boxes. In a letter to its customers, dated April 1, 2015, pertaining to its "updated safe deposit box lease agreement," one of the highlighted items reads, "You agree not to store any cash or coins other than those found to have a collectible value." Whether or not this pertains to gold and silver coins with no collectible value is not explained, but of course it does. As one observer warned, "This policy is unusual, but since Chase is the nation's largest bank, I wouldn't be surprised if we start seeing more of this in this era of sensitivity about funding terrorists and other illegal causes." So, get your money out of those safe deposit boxes, your currency and probably your gold and silver.

ONLY (SUPERVISED) SPENDING IS ALLOWED

Gregory Mankiw, a prominent macroeconomist, came up with a scheme in 2009: the Fed would announce that a year from the date of the announcement, it intended to pick a numeral from 0 to 9 out of a hat. All currency with a serial number ending in that numeral, would instantly lose status as legal tender, causing the expected return on holding currency to plummet to -10 percent.

This would allow the Fed to reduce interest rates below zero for a year or even more because people would happily loan money for say, -2 percent or -4 percent because that would stop them from losing 10 percent.

Now the reason given by our rulers for suppressing cash is to keep society safe from terrorists, tax evaders, money launderers, drug cartels, and other villains real or imagined. The actual aim of the flood of laws restricting or even prohibiting the use of cash is to force the public to make payments through the financial system. This enables governments to expand their ability to spy on and keep track of their citizens' most private financial dealings, in order to milk their citizens of every last dollar of tax payments that they claim are due.

The actual aim of the flood of laws restricting or even prohibiting the use of cash is to force the public to make payments through the financial system.

Other reasons for suppressing cash are (1) to prop up the unstable fractional reserve banking system, which is in a state of collapse all over the world, and (2) to give central banks the power to impose negative nominal interest rates. That is, to make you spend money by subtracting money from your bank account for every day you leave it in the bank account and don't spend it.

Editor's Note: This article was adapted from a talk delivered at the New York Area Mises Circle in Stamford, Connecticut. ■■■

Joseph T. Salerno is professor of economics in the Finance and Graduate Economics Department in the Lubin School of Business of Pace University in New York. He is the editor of the *Quarterly Journal of Austrian Economics* and the Academic Vice President of the Mises Institute. He is the author of *Money: Sound and Unsound*.

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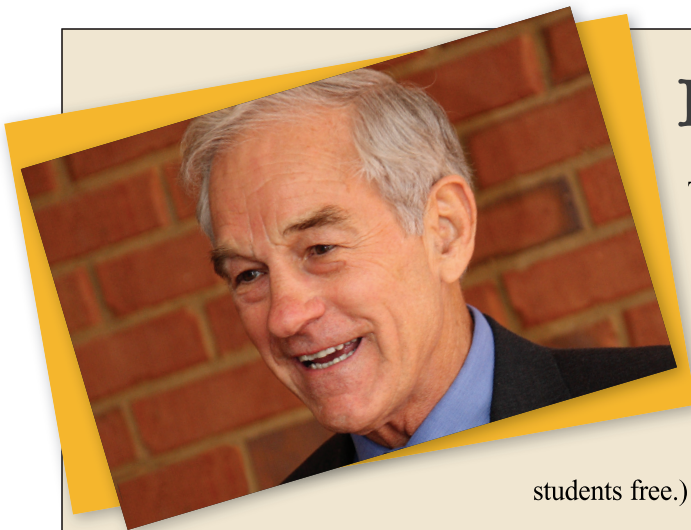
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- Why Menger, Mises, and Rothbard matter



The inaugural Boot Camp will be taught during Mises University 2015 at our Auburn campus. But anyone can participate via live streaming at mises.org. Make plans now to attend in person or online, and watch for schedule and registration information at mises.org/events/BootCamp2015.

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Happy Birthday Ron Paul!

The Mises Institute is holding an 80th birthday party for the great leader of liberty. Be there to cheer and salute him. We'll meet at the Dow Academic Center of Brazosport College (see mises.org/events for map and details), 500 College Drive, Lake Jackson, Texas — that's Ron's hometown — from 4:00 to 7:00 p.m. on Saturday, August 15th. And the price, for Texas BBQ, a country music band, a photo with Ron, birthday cake and the thrilling and moving occasion of a lifetime, is just \$20 per person! (Children and students free.) Attire is very casual. Really, you can't miss it, can you?

Reservations are required. Student scholarships are available (see mises.org/events for details).

Can't attend? Email your birthday greetings to ronpaul@mises.org or mail birthday cards to Dr. Ron Paul, Mises Institute, 518 West Magnolia Avenue, Auburn AL 36832. We'll make sure he receives them!

ROTHBARD GRADUATE SEMINAR

ADVANCED STUDIES IN AUSTRIAN ECONOMICS



Summer is in full swing at the Mises Institute which means that the halls of our academic wing are filled with our Summer Fellows and our students and faculty at June's Rothbard Graduate Seminar. Since 1999, the Rothbard Graduate Seminar has been offered for a select group of top graduate students who come to the Institute to work closely with our faculty on advanced topics in Austrian economics. Students spend the week analyzing texts and engaging in detailed analysis and discussion.





This year, our faculty members were Joseph Salerno, Mark Thornton, David Gordon, Jeffrey Herbener, and Peter Klein. They spent the week mentoring and working with students to help them advance in their academic careers when they return to graduate school this fall. Dr. Thornton said this summer's students were the best he's interacted with in over a decade of teaching the Seminar. The Rothbard Graduate Seminar was sponsored by Alice J. Lillie. ■■■



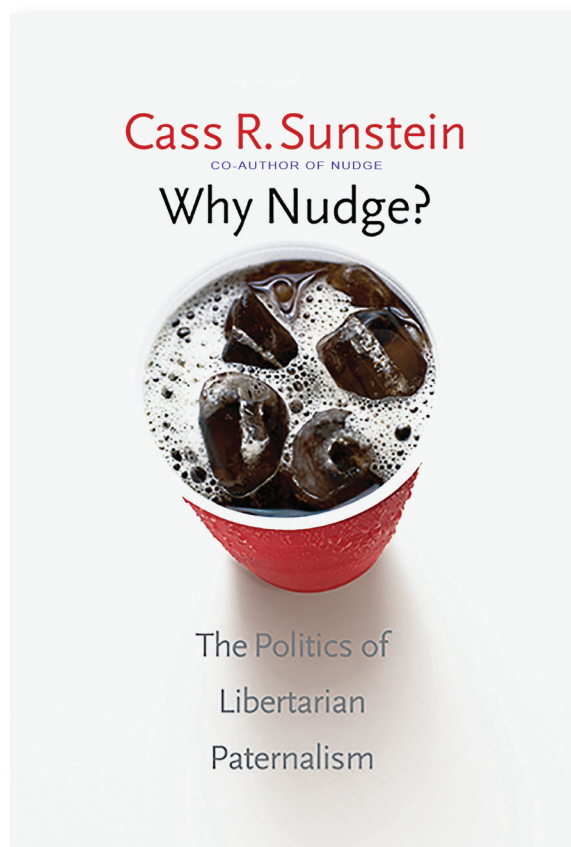
DAVID GORDON REVIEWS

Why Nudge? The Politics of Libertarian Paternalism

Cass R. Sunstein

Yale University Press, 2014

Viii + 195 pages



Most often the state compels you to do things, not because these things are supposed to be good for you, but because they fulfill the state's purposes. The state doesn't take your money to help you. Sometimes, though, the state does pass laws that claim to restrict people for their own good, e.g., laws that forbid use of certain drugs that are supposed to be bad for your health. Laws of this kind are called paternalistic.

Libertarians of course oppose paternalism, but it is not only libertarians who reject it. It is at odds with the entire heritage of classical liberalism. John Stuart Mill famously opposed paternalism in *On Liberty*; and it is Cass Sunstein's principal aim in *Why Nudge?* to cast doubt on Mill's canonical statement of anti-paternalism, the Harm Principle. This principle is the following: "[T]he only purpose for which power may be rightfully exercised over any member of a civilized community, against his will, is to prevent harm to others. His own good, either physical or mental, is not a sufficient warrant." (Sunstein here is quoting Mill's *On Liberty*.)

Sunstein challenges what he considers the two main arguments that support the Harm Principle. The first of these, which he considers the more important of the two, is the Epistemic Argument: "Because individuals know their tastes and situations better than officials do, they are in the best position to identify their own ends and the best means of obtaining them. ... In my view, it [the Epistemic Argument] provides the strongest support that the Harm Principle can find."

One way to challenge the Epistemic Argument would be to claim that certain things are good or bad for people, regardless of their own ends and desires. Smoking is bad for you and you shouldn't do it, proponents of this position would say, even if after careful consideration you want to smoke. But Sunstein does not follow this path. He could hardly claim to be a "libertarian" paternalist if he did. Rather, he points to cognitive mistakes that people make. He is not trying to impose his view of what people should do on others: he is saying to them that paternalistic interventions can add to people's well-being by helping them to act more rationally.

Even if this is what Sunstein aims to do, though, isn't it still odd for him to claim to be a *libertarian* paternalist? Sunstein attempts to reduce the tension between adjective and noun by appealing to "nudges." "In light of the pervasive risk of government error and

the inescapable fact of human diversity, it is usually best to use the mildest and most choice-preserving forms of intervention. These forms include ‘nudges,’ understood as initiatives that maintain freedom of choice while also steering people’s decisions in the right direction (as judged by people themselves).” The nudges, as here explained, invade people’s freedom less than other paternalistic measures; but this hardly suffices to make them libertarian. By similar reasoning, one could call a robber who refrained from murdering his victims a “libertarian” aggressor.

Let us return to cognitive mistakes. Sunstein is a leading figure in behavioral economics, and he writes about these mistakes with especial authority. Following the psychologist (and Nobel Prize-winner) Daniel Kahneman, he distinguishes between two “cognitive systems” in the mind. “System 1 works fast. It is often on automatic pilot. Driven by habit, it can be emotional and intuitive.” By contrast, System 2 is “deliberative and reflective.” When we operate, as we often do, with System 1, we are subject to various sets of mistakes, which count as “behavioral market failures.” With the details of these mistakes, we are not here concerned, but the errors include “present bias and time inconsistencies,” “ignoring shrouded (but important) attributes,” “unrealistic optimism,” and “problems with probability.” What for our purposes is important is the conclusion Sunstein draws: “With respect to paternalism, the unified theme is that insofar as people are making the relevant errors, their choices will fail to promote their own ends. It follows that a successful effort to correct these errors would generally substitute an official judgment for that of choosers only with respect to means, not ends.”

Suppose, for the moment, that we accept Sunstein’s claim that these cognitive mistakes impede people from getting what they want. Does this give one reason to reject the Epistemic Argument? I do not think so. According to the Epistemic Argument, each person is in a better position than government officials to choose the appropriate means to satisfy his ends. This is entirely consistent with people’s making cognitive mistakes. The point of the Epistemic Argument is that people can better judge their situation than officials can, not that their judgment is without error.

Mises fully realized this point, and Sunstein would have profited from a reading of Mises’s comment in his essay “Laissez Faire or Dictatorship” on J.E. Cairnes’s

objection to laissez-faire: “Let us for the sake of argument accept the way in which Cairnes presents the problem and in which he argues. Human beings are fallible and therefore sometimes fail to learn what their true interests would require them to do. ... It is very unfortunate that reality is such. But, we must ask, is there any means available to prevent mankind from being hurt by people’s bad judgment and malice? Is it not a *non sequitur* to assume that one could avoid the disastrous consequences of these human weaknesses by substituting the government’s discretion for that of the individual citizens?”

I fear that Sunstein, like all too many economists, is so committed to welfare as the objective of morality that he is unable to understand respect for persons.

The objection I here have in mind differs from one that Sunstein does consider. Sunstein knows full well that government officials are also subject to cognitive mistakes and have their own agendas. Incredibly, his response is that technocrats are more likely than the public to be influenced by rational, System 2 thinking. “A large virtue of technocrats in government — specialists in science, economics, and law — is that they can help overcome some of the errors that might otherwise influence public or private judgments.” He does generously allow, though, that biases of the government officials require further study.

My objection, though, is not that the officials are biased and self-interested, though they are indeed that. It is rather that “nudging” people to act in ways they would not otherwise have chosen disregards the fact, to which the Epistemic Argument calls attention, that they are the best judges of how to deal with their individual situations. Only if their cognitive defects were so severe that they outweighed the force of the Epistemic Argument would Sunstein have a good argument for

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DAVID GORDON
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paternalism. To reiterate, the problem I have in mind is not whether the government officials are more likely than the public to suffer from cognitive defects. It is that the existence of cognitive mistakes does not by itself refute the Epistemic Argument.

There is a further problem with Sunstein's use of cognitive mistakes to justify paternalistic interventions. He offers no evidence that people who act in ways he wants to modify have fallen victim to cognitive mistakes. Do people who smoke, or consume sodas in large quantities, or fail to buy fuel-efficient cars, suffer from cognitive mistakes? Perhaps they do, but the fact that people are susceptible to these mistakes does not show, for any particular choice, that it stems from a mistake.

Sunstein criticizes another argument for the Harm Principle. This argument appeals to autonomy: "We might insist that people have a right to choose and that government cannot legitimately intrude on that right even when it does in fact know best. ... On this view, people should not be regarded as children; they should be treated with respect. They should be seen as ends, not means."

This is of course the second formulation of Kant's Categorical Imperative and is today widely accepted as a principle of morality, even by philosophers not in orientation Kantian. Unfortunately, Sunstein is tone deaf to its force. He thinks preference for freedom of choice is at best a component of welfare. If it is taken to be more than this, it stems from System 1 thinking: it is a "rapid, intuitive judgment about welfare." Besides, many people do not want what they consider an overabundance of choices. (But aren't such people free to seek situations where they would confront fewer alternatives?) I fear that Sunstein, like all-too-many economists, is so committed to welfare as the objective of morality that he is unable to understand respect for persons. This phenomenon is itself a cognitive defect, albeit one that has yet to attract the attention of behavioral economists. I do not recommend government intervention, even the mildest nudge, to correct it. ■■■

David Gordon is Senior Fellow at the Mises Institute, and editor of *The Mises Review*.

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Our Global Audience Widens with Each New Translation

Many supporters of the Mises Institute and Austrian economics help to make the works of Austrian economists available to a wider audience by translating books and essays into other languages. New translations often make Austrian scholarship available to millions of potential new readers. We thank the scholars and translators who have made these new books available:

The Department of Economics of the National University of Cuyo, Argentina has announced its new Spanish translation of Ludwig von Mises's essay *The Historical Setting of the Austrian School of Economics*. It will be included in a new book for Spanish-speaking audiences titled *The Austrian School of Economics: Tensions and New Directions in the Historiographical Debate*. The English version of Mises's essay is available free of charge at mises.org.

Hans-Hermann Hoppe's *A Theory of Socialism & Capitalism* has been translated by Pawel Nowakowski into Polish and is now available from the Mises Institute Poland.



Economic Policy



The Law



A Theory of Socialism & Capitalism

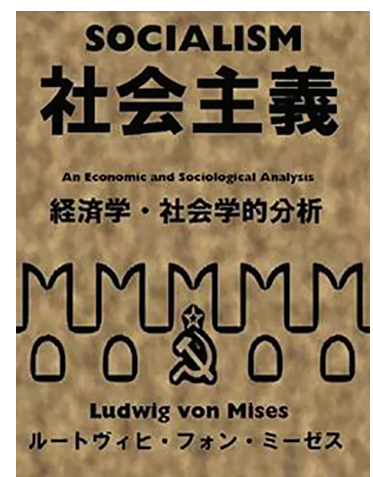
Ludwig von Mises's book *Economic Policy* and Frédéric Bastiat's *The Law* are now available in Arabic from Minbaralhurriyya Publishing.

Robert Murphy's *Lessons for the Young Economist* is available in Arabic from The Hindawi Foundation.

Tatsuya Iwakura has recently completed a new Japanese translation of Ludwig von Mises's book *Socialism: An Economic and Sociological Analysis*. The new translation is available online at mises.org and at Amazon.com.



Lessons for the Young Economist



Socialism

TRUST US, WE'RE SUPERHEROES

Since 2008, Marvel Studios, now owned by Disney, has been cranking out at least one big-budget new movie each year, with much success. The movies of the so-called Marvel Cinematic Universe — which includes the post-2007 Marvel movies about the Incredible Hulk, Captain America, Iron Man, Thor, and the Avengers — have combined to gross more than 8.5 billion dollars.

The studio has been careful to loosely connect all the plotlines of these films to construct a single world in which all the films take place. Thus, viewers of the Marvel films over the past seven years have become immersed in a broad, interconnected world of superheroes, supervillains, murderous robots, and interplanetary threats from god-like creatures and seemingly indestructible extra-terrestrials.

Meanwhile, the Marvel world is protected by the shadowy organization known as S.H.I.E.L.D (Strategic Homeland Intervention, Enforcement and Logistics Division), which also serves as coordinating body that brings all of the Avengers together to fight superhuman threats to the human race.

RYAN McMAKEN

As one might expect, therefore, the Marvel films contain a sizable amount of politics and numerous, sometimes-conflicting messages about the central role of a technological-military-industrial complex in protecting the human race from total and utter destruction.

To their credit, the Marvel films generally avoid heavy-handedness in their moralizing, which is no doubt one reason for their success. They often remain ambiguous about the “lessons” to be learned in each film. In other words, viewers can supply for themselves what message they wish to take away from each film. Nevertheless, one can detect that on the whole, the overall political message contained within the Marvel Cinematic Universe is one of suspicion toward the “official” institutions of the world’s governments which often fail in their mission, or are corrupted in the face of existential threats. Fortunately for moviegoers, the eponymous superheroes — most of whom display ambiguous motivations and loyalties — must supply the necessary heroics.

At the core of the Marvel Cinematic Universe are three superheroes: Iron Man, the Incredible Hulk, and Captain America, and their relationships with government institutions form the backbone of what might be an ideology behind the Marvel films.

IRON MAN: COLLABORATOR TURNED VIGILANTE

The modern era of Marvel Studios began with the success of *Iron Man* in 2008 which tells the story of Tony Stark, who has inherited a successful weapons-manufacturing business from his father. Stark has become a billionaire playboy thanks to the success of his father’s weapons in killing large numbers of people. However, after Tony sees the effects of his weapons, and the moral ambiguity of the conflicts for which he has been supplying them, Stark loses faith in his arrangement with the US government and turns toward a mission

of single-handedly supplying world peace through his new Iron Man superweapon.

By the time of *Iron Man 2* (2010), world peace has indeed been established, and Stark is embroiled in a conflict with the United States government which wants the Iron Man suit for itself. Stark declares that the suit is “my property” and refuses to grant governments access to the technology. Eventually, however, competing weapons contractors are able to collude with an Air Force officer to produce similar weapons for nefarious purposes.

THE HULK: BETRAYED BY THE STATE

Just as Stark had worked closely to supply weapons to the US government before his epiphany, Dr. Bruce Banner, a brilliant scientist in *The Incredible Hulk* (2008) was convinced by the US government to assist in reviving the “super soldier” program that had existed during World War II. After a botched experiment, Banner is turned into a superweapon himself, the Hulk, rendering him incapable of carrying on normal human relationships. The US government then proceeds to hunt Banner down, claiming he is their “property” while making the Hulk a fugitive who can only live on the margins of society.

CAPTAIN AMERICA: ALL-AMERICAN SUPER SOLDIER

Captain America provides the flip side to the disillusionment and betrayal found with the Hulk and Iron Man characters. Unlike the Hulk’s failed experiment, the experiment on Steven Rogers — dramatized in *Captain America: The First Avenger* (2011) — is extremely successful, turning Rogers into Captain America, and providing him with the super powers necessary to defeat Hydra, a secret terrorist organization seeking world domination.

Rogers maintains his idealized 1940s-style morals and innocent patriotism to the end, and we discover that the

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RYAN MCMAKEN
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project's success was largely due to the contributions of Tony Stark's father. Even after

Captain America is accidentally frozen in the Arctic Ocean for sixty years and revived just in time to team up with the other Avengers, Rogers continues to be a loyal agent of the American state.

THE CENTRAL LESSON OF THE MARVEL UNIVERSE: OUR OWN WEAPONS MAY DESTROY US

Although our view of the scientific-military-industrial complex is made complex and interesting through these contrasting views, we are nevertheless faced with the single theme: if the human race faces such intractable foes as Thor's brother Loki — introduced in *Thor* (2011) — and an aggressive alien race known as the Chitauri, the human race can't hope to survive without the assistance of superheroes, and the amazing technical know-how of S.H.I.E.L.D.

And yet, even here, the Marvel movies cast doubt on the purity and competence of the Earth's defenders throughout the films and especially in *Captain America: The Winter Soldier* (2014), in which it is revealed that S.H.I.E.L.D. has been infiltrated by Captain America's old foe Hydra. Thus, mankind's last best hope for defense

turns out to be a fifth column, and it's up to Captain America (now branded a traitor) to end the S.H.I.E.L.D./Hydra threat.

This theme of best-laid-plans-gone-awry then continues into 2015's *The Avengers: Age of Ultron* when Iron Man, despairing over the threat posed by far-more-powerful alien forces, creates yet another super-weapon — this time an artificial intelligence — that turns against humanity. In the end, only the good-hearted rump of the now-disbanded S.H.I.E.L.D. and the Avengers themselves can intervene to save the day.

For cinematic purposes, this repeated return to the theme of saving the world by the skin of our teeth works extremely well. But what effect, if any, will it have on the ideologies of moviegoers? In the world of these Marvel films, each new attempt to protect the world from all danger leads to just another newer and graver threat that could not be anticipated.

Ultimately, the world's salvation falls on a group of disparate misfits betrayed by their own attempts at a lasting peace. This is good for keeping a movie franchise going. But maybe there's a real-life lesson in there somewhere, too. ■■■

Ryan McMaken is editor of *The Austrian*.

July 19–25 — Mises University; Mises Institute

July 24 — Mises Boot Camp; Mises Institute

August 15 — 80th Birthday Party for Ron Paul; Lake Jackson, Texas

October 3 — The Mises Circle in Fort Worth, Texas

November 7 — The Mises Circle in Phoenix, Arizona

January 30, 2016 — The Mises Circle in Houston, Texas

March 31 – April 2, 2016 — Austrian Economics Research Conference; Mises Institute

June 5 – 10, 2016 — Rothbard Graduate Seminar; Mises Institute

Student scholarships available for all events. See mises.org/events for details.

Events

Scholar and Alumni Notes

Senior Fellow **ROBERT HIGGS** has donated his personal library and notes to the Mises Institute. He is in the process of sending what he describes as “nearly 100 large boxes” to the Mises Institute where our staff and faculty will organize, examine, and catalogue his writings and books for use by future scholars.



Ms. Dorobăț with her dissertation committee: (L-R) Prof. Thierry Cailleau (University of Angers), Prof. Georges Lane (University Paris-Dauphine), Ms. Dorobăț, Prof. Jörg Guido Hülsmann (University of Angers), Prof. Christian Aubin, president of the committee (University of Poitiers).

Senior Fellow **JESÚS HUERTA DE SOTO** recently presented a series of lectures at the Institute für Weltwirtschaft at Universität Kiel in Germany. The talks included “The Essence of the Austrian School” and “Economic Recession, Banking Reform, and the Future of Capitalism.”

Former Mises Institute Summer Fellow **CARMEN ELENA DOROBĂȚ** received her Ph.D. in economics in June from the University of Angers.

Ms. Dorobăț studied under Mises Institute Senior Fellow **JÖRG GUIDO HÜLSMANN**. She is now an assistant professor in International Business at Coventry University in the United Kingdom.

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The Mises Institute honors our most distinguished supporters in our Societies. The top levels are the Mises, Rothbard, Hazlitt, and Hayek Societies. We'd like to thank our Society Members for their generous support:



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Dr. Don Printz has recently moved up to the Mises Society.

Mr. Chris Condon has moved to the Rothbard Society.

Ms. Alice J. Lillie has recently moved up to the Hazlitt Society.

New Large Print Editions

And a special thank you to **Mr. Quinten Ward** for his help in expanding our bookstore to include new large print editions of *The Case Against the Fed* and *What Has Government Done to Our Money?* by Murray Rothbard, and *Organized Crime* by Thomas DiLorenzo. Mr. Ward and his wife **Marian** are members of the Hayek Society. These books are now available in our bookstore.



A CONVERSATION

WITH FORMER MISES FELLOW **MATEUSZ MACHAJ**

TEACHING MISES AND ROTHBARD IN POLAND



Mateusz Machaj is a former Mises Fellow, the founder of Mises Institute Poland, and is Assistant Professor at the Institute of Economic Sciences at the University of Wrocław in Wrocław, Poland. He spoke with us recently about his work at the Mises Institute and the state of free-market thinking in Poland.

THE AUSTRIAN: Why did you decide to apply for a Mises Institute fellowship?

MATEUSZ MACHAJ: The summer fellowship program is the best place on Earth to take the first steps in developing your career and learning how to do scientific research. It is impossible to overstate its importance. The online resources, books, and articles of the Mises Institute are important, yet I found personal interaction with the Mises faculty to really be key in advancing my knowledge. The opportunity of sharing new thoughts and insights with the faculty and other students was invaluable. The publications at the Institute are the bricks, but the summer programs are the necessary mortar.

TA: Why did you decide to obtain a Ph.D.? What role, if any did the Mises Institute play in the direction of your academic studies?

MM: I decided to take the academic route, because I am passionate about economics as a discipline. The Mises Institute was the main factor in sparking that passion, first as a supplier of the online library, and then as a sponsor of my attendance at the summer programs. When I first came to Mises University I already knew most of the lectures (because I had watched them online), but it was my personal interactions with students and scholars that were a key stimulus for further studies. Then, I was fortunate enough to work as a summer fellow under the supportive guidance of Professor

Salerno. Most of the work on my Ph.D. thesis was done within the walls of the Mises Institute. The Institute is truly the “indispensable framework,” to borrow a phrase from Rothbard.

TA: What did you enjoy most in your time as a Fellow at the Mises Institute?

MM: Naturally it was the guidance of Professor Salerno, and the other scholars such as Mark Thornton, who was always ready to help, and Tom Woods who was with us in some of the years. I should not forget about the members of the staff who make the program run smoothly. The whole arrangement is very Fellow oriented, and one really cannot be too thankful for all donors, staff, and scholars behind the program.

TA: What is the state of free-market thinking in Poland?

MM: Younger people are very interested in the pro-market ideas. We have two very unique programs at the Polish Mises Institute: development of the Austrian Economics Clubs at the main Polish universities that focus on economics and our prepared lesson plans and curricula for teaching economics at high schools. Currently, we are developing a free online elementary economics book, as well. Both of the programs are very successful, and young people genuinely interested in economics are usually seduced by the Austrian approach. This can be seen in the demand for our Austrian books.

TA: Why did you decide to start Mises Institute Poland?

MM: Austrian economics is the best way to learn good economics. Moreover, I believe that even if one dislikes the ideologies of Mises, Rothbard, and Hayek, the works of those thinkers are the best place to start to learn economics. This is especially true of Rothbard. *Man, Economy, and State* is the best introduction to pricing theory, bargaining theory, production theory, competition theory, monetary theory, etc. I think even the opponents of free markets would do well to start with reading Rothbard, because he is the Mozart of economics. You may prefer to play Wagner, but *Eine Kleine Nachtmusik* is where you should start. Similarly the Austrians are the best way to study economics, even when one disagrees with some of their premises. They are so much better in explaining the basics of economics than the mainstream textbooks, and no one comes near the writing and lecturing skills of many Austrians.

TA: Some eastern European countries, such as Estonia and Slovakia, have a reputation for continuing to liberalize their economies long after the fall of communism. Does Poland have a similar reputation?

MM: In the case of Poland, the glass is one-third full and two-thirds empty. There are two ways of comparing transformation economies. You can compare Poland to Russia, Belarus, and Ukraine. In those comparisons, Poland's transformation is a huge success. On the other hand, you can compare Poland to developed Western economies, and then we see huge deficiencies and unfinished reforms. And let us remember that Germany, the United Kingdom, and the United States are very far from any free-market paradise. In terms of broadly defined economic freedom, Poland is behind the Western countries. In comparison, what is particularly burdensome is higher regime uncertainty due to a less predictable (and relatively more oppressive) legal system.

TA: With all the news about the eurozone lately, I have to ask if Poland will be adopting the euro soon.

MM: The recent economic crisis has effectively killed any quest for quick adoption of the euro in Poland. Even the supporters are saying that the eurozone first needs to fix itself. Let us all hope the euro fixes itself permanently and fully — to gold of course. ■■■



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