

The Austrian

A PUBLICATION OF THE MISES INSTITUTE

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Why I Have Hope

RON PAUL ON
PRESERVING THE CAUSE OF LIBERTY

page 4



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From the publisher

Jeff Deist

Already a new year is upon us, and with it our fervent hope that 2016 brings peace on earth and goodwill to men. But the news seems all bad: terrorism, gun control, Middle East conflicts, military brinkmanship, and central bank deception.

Politics is always with us, it seems. Hillary, Bernie, Cruz, and Trump are (at this writing) sucking up what little oxygen the mainstream media has left. And it's hard to imagine that the divisive and ludicrous rhetoric of an election year will do anything to spread good cheer.

Yet it is precisely because the world seems so dark, so complex, so dangerous, and so fraught with uncertainty that we need the clarity of a libertarian worldview.

Libertarians, in stark contrast to political and media elites, have the courage and humility to recognize that people are not cattle to be managed. Only libertarians admit that no individuals or governments have the knowledge to organize human affairs; that in fact such a pretense of knowledge is absurd. Only libertarians can explain how the chaos we see in the world today is actually caused by economic interventions, military interventions, and central bank interventions. Only libertarians offer a viable alternative to Left and Right, because we don't favor one kind of intervention over another and we don't seek to impose laws or use force. Only libertarians understand that real peace, community, prosperity, diversity, tolerance, and democratic action can be found all around us, in the day-to-day actions of ordinary people in the marketplace.

While we may not enjoy the endless political season, we should seize the opportunities it presents to make the case for a free society. As Ron Paul explains in our cover article, exciting changes are coming whether we are prepared or not. The status quo — financial, political, and academic — is not sustainable. Americans are

deeply alienated from government, from media, and from state-connected elites.

Rather than wring our hands, we should recognize the disaffection behind the Bernie and Trump movements as an opportunity. We should celebrate the public's disgust with endless Bushes and Clintons as a positive sign that the political class has lost its legitimacy. We should take the opportunity to promote a new narrative of freedom and peace to an audience that may be more sympathetic to our views than we imagine.

From my perspective, it is not our job to convince people to vote for one candidate or reject another. Our job is to encourage them to question why the political class has any legitimacy at all.

*“We are not going to have a situation where Nixon reads **Human Action** and says ‘By God, they’re right. I’m quitting!’ ”*

*Murray Rothbard, interviewed in
The New Banner, 1972*

The state, after all, is largely a façade. And our future, as Ron Paul reminds us, is unwritten. We choose to be optimistic or pessimistic, active or passive, eager or resigned. To deny this is to deny our own agency, our will to improve our lives and the world around us.

Mises refers to man's *élan vital*, the inescapable force that drives us into action. Ron urges us to channel that drive into positive action, because we never know how our efforts today will benefit the future. So take advantage of the gift of a new year, and go forward with courage and optimism. ■■■

Jeff Deist is president of the Mises Institute.

Why I Have Hope

by Ron Paul



I think the most exciting message for me today is that things are changing.

Often, when I come to these events, people ask me, “isn’t this grueling, isn’t this very tough?” It’s not, though, and it’s actually a little bit selfish on my part, because I get energized when I meet all the young people here. It’s true there is a spread of ages here, but there are a lot of young people and some of them even come up to me and say “you introduced me to these ideas when I was in high school a few years ago.”

And it’s not just people at events like these. When I landed at the airport on my way here, I was approached by two young people who came up to talk to me. They didn’t know each other, but both spoke with foreign accents, and both said they were from Africa. They said they heard the message of liberty over the Internet, and they had been following me ever since 2008.

Positive Trends

These are just examples, but I do think they represent a larger change that is taking place right now. Things are changing dramatically and in a favorable way.

We're in this transition period right now where the attitudes are changing. But our views have been out there a long time, so we have to ask ourselves why we're seeing more success now among the young and many future leaders.

Part of this is just due to greater availability of ideas. The Internet certainly helps, and a lot of the credit must go to organizations like the Mises Institute that make the ideas of liberty more easily available to everyone.

I also never imagined that my presidential campaigns would get the attention they did for our ideas. Our success in bringing new young people into the movement surpassed anything I thought was possible.

Change Will Come Whether We Like It or Not

But the reason we see more success for these ideas is not just because it's easier to find them and read them. We're living in a time when people — especially young people — can see that the old ideas aren't working any more.

The young generation has inherited a mess from the older generations, and the young can see that what they've been told isn't true. It's not true that you can just go to college, run up a bunch of student debt, and then get a good job. The young can see that the middle class is being destroyed by our current economic system. And they can see that our foreign policy is failing.

Whether we like it or not, change will come. The troops will come home. They probably won't come home for ideological reasons, but simply because the United States is broke and can't afford all its wars anymore.

We're also living in a time when the economic system is going to come unglued. The old Keynesian economic system isn't working and young people can see it.

If it is true that we're in the midst of an end of an era, though, the question remains as to what's going to replace the system we have now. There are still plenty of

socialists — popular ones — who are out there saying that what we need is more government control and more war to fix the economy and the world.

So, we still have a lot of work to do, but I think we're in a better place now than we've been in a long time.

I think we're in a better place now than we've been in a long time.

We Don't Need a Majority

When thinking about all the work we still have to do, it's important to keep in mind that we don't need majority support. If you're waiting for 51 percent of the population to say "I'm libertarian and I believe everything you say," you'll lose your mind. What we need for success is intellectual leadership in a country that can influence government and the society overall.

That's where the progress is being made. We're only talking about 7 or 8 percent of a country that is necessary to provide the kind of influence you need. This was the case during the American Revolution, and it's true today. You are part of that 8 percent.

When doing this work, though, there are many things that can be done. People often ask me "what do you want me to do." My answer is: "do what you want to do."

There is no one way. Some people can use the political system, and others can go into pure education. Lew Rockwell started the Mises Institute, but what you do for the cause of liberty is personal to you, and you have to find what makes sense for you.

Also, you can't know all the positive effects your work is having. I certainly had no way of knowing all these years how I was having an effect on those young Africans I met at the airport. *You* can't always know what effect you're having either.

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RON PAUL, CONTINUED

Where To Start

So, say that we are successful, and our 7 or 8 percent continues to gain influence. What should we be doing? I think there are three basic places we need to start.

First off, we would see to it that there would be no income tax in the United States ever again.

Second, we would take the Federal Reserve and all its leadership and relegate them to the pages of history.

We would then pass a law that the US government cannot commit any crime that it punished other people for. It's wrong to steal and hand people's property over to other people, no matter how much people who do that win the applause of others.

And finally, we would bring all the troops home. Randolph Bourne was right when he said that war is the health of the state. Peace is the friend of liberty and prosperity.

We Need Humility

As a final note, I'd like to say that humility and tolerance need to be an important part of our efforts.

Yes, we need a foreign policy based on humility. We can't know what's right for people around the world, and we certainly shouldn't force anything on them.

But right here at home, we need humility also. In fact, libertarianism is based on humility. We can't know what's best for other people. No one can, and that is why we want people to have the freedom to do what they think is best for themselves.

This is true in economics, of course. Do you think Janet Yellen knows what the "correct" interest rate is? There are many things that economic planners can't possibly know. And for that reason — and others — there are so many things they shouldn't be doing.

And yes, there are a lot of people out there living their lives in ways we might disagree with. But intolerance is what government is based on. The far left, they are very intolerant and are happy to have people with guns tell other people how to live.

We need to keep in mind that if other people aren't hurting us or using government to force their way of life on us, they should be left alone.

Unlike the left, we want tolerance for other people's morals *and* for how other people work for a living and what they choose to do with their money.

We need more tolerance and humility in every aspect of life, and that's how we get a free society.

So, let's all go to work and preserve the cause of liberty.

Thank you very much. ■■■



The Mises Institute in Phoenix

In November, the Mises Institute traveled to Phoenix for the latest Mises Circle on what must be done to effectively work for freedom and free markets now and in the future.

Ron Paul was joined by Lew Rockwell, Jeff Deist, economist William Boyes, and broadcaster Charles Goyette.



Following our advertised speakers, we welcomed a panel of professionals who work outside the field of academic economics. The panel members provided insights into working for the cause of freedom in a variety of fields including medicine, marketing, physical science, engineering, and law. Panelists included:

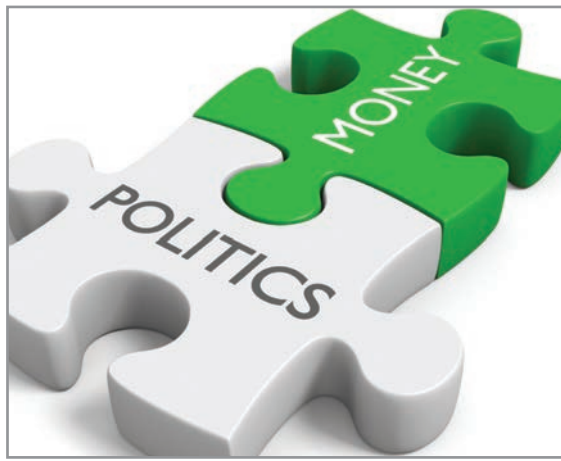
Bill Haynes, Kathryn Muratore, Jordan Ausman, Marc Victor, Hunter Hastings, Taylor Conant, Don Printz, M.D., and Peter Kallman



Special thanks to CMI Gold and Silver, Inc. for making this event possible.

JAMES BOVARD

How Government Buys Your Support



In Iraq and Afghanistan, US military officers routinely handed bundles of cash to local residents to buy influence and undermine resistance to the American occupation. Such payments came in especially handy after US troops inadvertently killed innocent civilians or sheep. Billions of dollars were shoveled out with little or no oversight as part of the Pentagon's "Money as a Weapon System" program.

James Bovard is the author of ten books, including 2012's *Public Policy Hooligan*, and 2006's *Attention Deficit Democracy*. He has written for the *New York Times*, *Wall Street Journal*, *Playboy*, *Washington Post*, and many other publications.

In the same way, politicians have long relied on money as a weapon system to buy votes or to undermine resistance to Washington. Presidents and congressmen are not carrying out a formal counterinsurgency against the American people. But they realize that addicting citizens to government handouts is the easiest way to breed mass docility and stretch their power.

Politicians are dividing Americans into two classes — those who work for a living and those who vote for a living. Federal food programs are now feeding more than 100 million Americans. Since 1983, the number of people receiving aid from the federal government has more than doubled — rising from 66 million to 153 million

people. The number of people tapping means-tested handout programs has soared from 42 million to 109 million. Dependency has skyrocketed during an era of relative prosperity.

In the same way that King Henry VIII cemented his power by distributing seized monasteries to his supporters in the early 1500s, contemporary politicians buttress their power by showering hundreds of billions of dollars on likely voters. Like medieval kings who distributed land to any favored lackey, today's politicians feel entitled to redistribute income to any group they please. Nowadays, there is no property title half as sacrosanct as a politician's decree that some group deserves more handouts. But every new benefit program increases political control over recipients and over the people forced to finance the benefits.

Handouts provide cheap halos for politicians. Some people view government handouts as if they are nothing more than good intentions made manifest. But every government aid intervention shifts the incentives on how millions of people live. Federal student aid drove up college tuition which is helping spawn demands for federally-paid free tuition for all students. Medicaid and Medicare roiled the health care system and sparked perpetual inflation that spurs demands for nationalized health care. ObamaCare is spawning millions of new dependents who will view politicians as saviors in the coming years.

Politicians and bureaucrats strive to undermine traditional American virtues and maximize the number of people on the dole. The Agriculture Department is financing propaganda recruiting programs for food stamps. Recent reforms in most states allow people to snare food stamps merely by making a phone call or

Good faith government handouts are almost as rare as good faith wars.

filling out an online application. That is far less bothersome than going to a job interview.

The Obama administration claims that the surge of food stamp dependency is making America prosperous because each dollar given in food stamps supposedly generates \$1.84 in economic activity. If that was true, then government could make us all rich by giving food stamps to everyone. In reality, handouts are merely political multipliers.

Good faith government handouts are almost as rare as good faith wars. The welfare state buttresses itself with an array of statistical sleights intended to make citizens appear worse off than they are. USDA conducts an annual "food security" survey whose results are widely reported (including by Obama) as a proxy for the number of hungry Americans. If someone feared running out of food on a single day (but didn't run out), that is an indicator of being "food insecure" for the entire year. If someone craved organic kale but could only afford conventional kale, that is another "food insecure" indicator. However, families receiving food stamps are over 50 percent more likely to be "food insecure" than similar low-income households not on food stamps, according to a *Journal of Nutrition* analysis. And "Food insecurity" was far more widespread in 2013 (14.3 percent of all households) than in 2007 (11.1 percent)



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JAMES BOVARD, CONTINUED even though the number of food-stamp recipients rose from 26 million to 47 million in the same period.

H.L. Mencken quipped that “every election is a sort of advanced auction of stolen goods.” The more politicians promise to some people, the more they entitle themselves to seize from everyone else. The federal government poached more than \$3 trillion in taxes last year — largely to bankroll payments and services to its dependents.

The more people who depend on Washington, the more difficult it becomes to leash politicians. For scores of millions of voters, the biggest peril from Washington is that politicians may curtail their handouts. The more people who receive government aid, the less attention will likely be paid to government abuses.

Handouts tamper with elections as effectively as passing out hundred dollar bills at the polling booth. Unfortunately, using tax dollars to buy reelection is perfectly legal under federal campaign finance rules.

And as long as government dependents are political assets, it is absurd to expect politicians to make reasonable or fair decisions on who gets what. Ironically, some of the politicians who want to effectively make work optional also want to make voting mandatory.

Politicians have a long history of pauperizing the public to perpetuate their power. Plutarch observed of the dying days of the Roman Republic, “The people were at that time extremely corrupted by the gifts of those who sought office, and most made a constant trade of selling their voices.” Montesquieu warned in 1748: “It is impossible to make great largesses to the people without great extortion: and to compass this, the state must be subverted. The greater the advantages citizens seem to derive from their liberty [of voting], the nearer they approach towards the critical moment of losing it.”

Politicians cannot undermine self-reliance without subverting self-government. The ultimate victim of handouts is democracy itself. The more important entitlement reform is to prohibit politicians from buying one person’s vote with another person’s paycheck. ■



The Austrian Reader Survey

The Austrian, our new Member publication, is now one year old! We hope you enjoy the new format, articles, photos, and updates. Now we'd like your feedback. What do you like about *The Austrian*, what don't you like, and what would make it better?

Please take a few moments to complete our on-line survey, or simply use this form and return it to us.

For each question, indicate whether you agree or disagree by circling the appropriate number.

1—Strongly disagree 2—Somewhat disagree 3—Neutral or not sure 4—Somewhat agree 5—Strongly agree

1 2 3 4 5 I enjoy the new expanded bi-monthly layout.

1 2 3 4 5 I generally read the main cover articles.

1 2 3 4 5 I generally read David Gordon's book reviews.

1 2 3 4 5 I generally read the Q and A features with Mises Institute scholars, donors, and business people.

1 2 3 4 5 I generally read the From the Publisher feature.

1 2 3 4 5 I generally read the news and updates about the Mises Institute and its scholars.

1 2 3 4 5 I enjoy looking at pictures from Mises Institute events.

What would you like us to know:

If you would rather complete the survey online, type this link into your browser:

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Thank you for taking the time to give us your feedback. Please do not hesitate to contact us via contact@mises.org or 334.321.2100 with any further suggestions, questions, or concerns.

DAVID GORDON

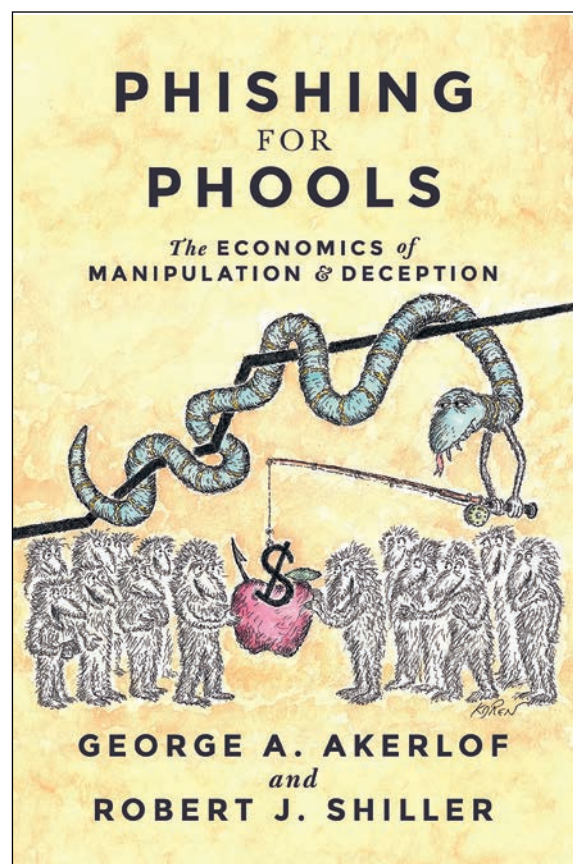
REVIEWS

Phishing for Phools: The Economics of Manipulation and Deception

George A. Akerlof and Robert J. Shiller

Princeton, 2015

Xvi + 272 pages



Although *Phishing for Phools* was published only a few months ago, it has already attracted much attention, owing to the eminence of its authors, both Nobel Laureates; but it has been misunderstood. Reviewers have taken it to be just another popularization of behavioral economics. The book does make use of behavioral economics, but its fundamental emphasis lies elsewhere. It is a radical attack both on the free market and a key part of standard economic theory.

The principal target of the book is a well-known and powerful argument in support of the free market. Akerlof and Shiller do not reject the argument entirely, but they drastically limit its scope. The argument in question is that the free market produces what consumers demand: “The central vision of economists is in terms of [Adam] Smith’s famous butchers, brewers, and bakers; they competitively respond to consumers’ demands, and decide how much to supply, based on what consumers are willing to pay. The system has an insistent equilibrium. If the economy is not in such an equilibrium, there is an opportunity for profit. If so, we would expect people to take advantage of it.”

The authors do not reject this argument altogether. “We do not argue with the economics textbooks about the merits of free markets: Our mind’s eye can take a journey across the boundary from China into North Korea, and then across the boundary into South Korea.”

We must not, though, “carry our praise of markets too far.” Conventional economics ignores a tendency to another equilibrium, one which is inimical to people’s welfare. This is the “phishing equilibrium.” Conventional economics “fails to see that competitive markets by their very nature spawn deception and trickery, as a result of the same profit motives that give us our prosperity. ... Just as much as the baker and the butcher and the brewer will be there if we have the resources to pay for what it takes them to supply the bread and the beer and the meat, so too the tricksters will be there to phish us for phools.” (By “phish,” the authors do not mean email schemes to get us to reveal our credit card information, the common meaning of the term. Rather, they have in mind efforts TO trick consumers

into buying what is not in their real interests. A “phool” is someone who, by their definition, is “successfully phished.”)

In brief, just as there is competition among sellers to satisfy consumers, so there is also competition to trick and shortchange them. Akerlof and Shiller say that their discovery of this “phishing equilibrium” is their main advance over standard behavioral economics. “The particularity of behavioral economics ... have [sic] reinforced the notion that differences between what people really want and their monkey-on-the-shoulder tastes [tastes that aren’t really good for us] are not the norm. ... But thinking about phishing generally ... has cued us, on the contrary, to see that phishing for phools is not some occasional nuisance. It is all over the place.”

We shall soon examine the flimsy basis on which our authors question people’s choices. Even if they were right, though, that many people’s choices result from trickery, their claim to have proved a “phishing equilibrium” is a complete imposture.

Why is this so? In the standard competitive equilibrium, there is no counter tendency that threatens disruption. So long as you continue to produce what consumers demand, you will be successful. Not so if you trick or “phish” people. The claims you make for your product may at any time be exposed, and then you may face failure. If, e.g., you say that your new method of golf instruction will take twenty strokes off the average person’s game and it fails to do so, people may stop buying from you. Perhaps they won’t; but they may, and that is all I need for my argument. So long as a counter tendency exists, there is no proof of equilibrium.

Oddly enough, Akerlof and Shiller are aware that phishing schemes may be upended. They devote an entire chapter, “The Resistance and Its Heroes” to the topic. Agencies and magazines, like *Consumer Reports*, may rate products on how closely they meet standards. “As we see it, when we can measure the qualities of the goods, services, and assets we buy — then, for the most part, we get what we expect.” Further, even without such agencies, “businessmen of conscience with good products have both moral and economic reasons to sort out the phishermen. And they have developed some ways to do so. ... The reliance of BBBs [Better Business Bureaus] on consumer complaints seems so obvious that it is taken

for granted. But it provides a surprisingly subtle way for the members to take action against shoddy competitors. ... Further protection against phishing comes from the norms of business communities.”

What then is the problem? Well, Akerlof and Shiller say, measures such as these are “much less effective against psychological phishing. If I have an urge to trash my budget or my diet, there are few protections against doing so.” But surely public spirited citizens can warn

The question arises, on what grounds do people buy what they do not really want?

people against the dangers of bad diets, smoking, and the various other ills Akerlof and Shiller have in mind. The point, once more, is not how effective these measures prove to be. Even if Akerlof and Shiller were right that they do not work very well, so long as they are present no proof of a phishing equilibrium has been given.

But, you may object, are we not ignoring the crucial issue that *Phishing for Phools* raises? If Akerlof and Shiller have made exaggerated theoretical claims for their work, so what? Much more important, it may be contended, is their exposure of the businessmen who prey on our weaknesses by getting us to buy what we do not really want.

Of course, the question now arises, on what grounds do Akerlof and Shiller say that people buy what they do not really want? “We know because we see people making decisions that NO ONE COULD POSSIBLY WANT.” (Emphasis in original). How in turn, do we know this? Some of our supposed “choices” have bad consequences for us. Smoking leads to increased risks for lung cancer and other illnesses; surely smokers do not

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DAVID GORDON, CONTINUED want this. People who eat large amounts of unhealthy food do not want to become obese. People who go into debt to purchase expensive luxury items do not want the worries that result from living beyond their means.

Akerlof and Shiller are very plausibly right that people do not welcome these bad consequences; but how does it follow from this that they do not really want what they choose? Our authors have adopted the implausible criterion that unless you like all the foreseeable consequences of what you choose, your choice does not reveal your true preferences. Yet on this flimsy basis, these distinguished economists are prepared to jettison a key part of standard economic theory. “A common precept of standard economics is that people only make the choices that maximize their welfare. This assumption even has a fancy name, ‘revealed preferences’: that people reveal what makes them better off by their choices. Such an assumption, of course, is exactly at odds with our concept of the difference between what people really want (what is good for them) and what they think they want (their monkey-on-the-shoulder tastes.)”

Once more, though, we must confront an objection. Even if they have arbitrarily defined matters so that if you choose something with bad consequences, your choice does not reflect your real preferences, could they not, with little damage to their case against the market, abandon this dubious view? They have only to say instead that, even if people follow their actual preferences when then choose, they often choose unwisely.

But to do this in fact would be fatal to their main argument. If people do not choose as their real preferences would dictate, then of course the issue of why they do so presents itself; and Akerlof and Shiller’s claim that businessmen phish people into doing so emerges as an explanation. If, though, we say instead that people are choosing according to their preferences but that, from an external standpoint, Akerlof and Shiller think their choices unwise, there is no problem of choice that requires an explanation. It may be that, in particular cases, businessmen trick their customers; but if people choose what they in fact prefer, we have no reason in the general case to think so.

When one looks at particular cases, it is surprising how little our authors require to charge that the phish is in. “But the most basic fact about tobacco and alcohol is that they are easily available with only moderate taxes. The easy availability of tobacco through the market, in and of itself, is the basic phish of the smokers; likewise, the easy availability of alcohol is the basic phish of those who end up drinking too much.” You see how their “logic” goes; because people “really” do not prefer tobacco and alcohol, even though they purchase these items, sellers are tricking consumers by making these products available on the market. *Phishing for Phools*: an ugly title for a badly argued and pernicious book. ■■■

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

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Mises Institute, 518 W. Magnolia Ave., Auburn, AL 36832

Income from matching gifts is very important to the Institute. Thank you for helping!



Mises Institute Charter Member Donates Rare Recordings



Thanks to the generosity of Mr. Edward E. Culver, who passed away in 2012, the Mises Institute recently received a variety of original documents, publications, and recordings. Most of them date from the 1960s, and were part of Mr. Culver's personal library.

Included among the materials are lectures delivered by Ayn Rand and Nathaniel Branden during the 1960s, including first-issue LP records and reel-to-reel recordings of lectures and events.

These documents and recordings are now being catalogued by our librarian Barbara Pickard, and they will soon be available to scholars and historians of the libertarian movement through our library here at our Auburn Campus.

events

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

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

May 21, 2016 — The Mises Circle in Seattle, Washington

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

July 24 – 30, 2016 — Mises University; Mises Institute

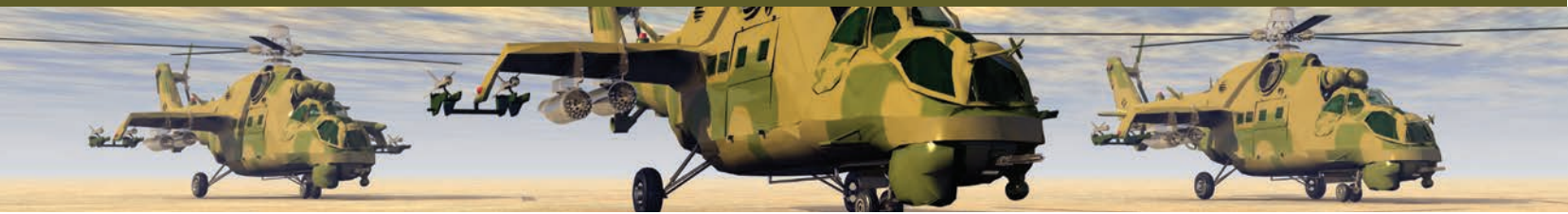
October 1, 2016 — The Mises Circle in Boston, Massachusetts

November 5, 2016 — The Mises Circle in Dallas/Ft. Worth, Texas

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

DEMOCRACY HAS BEEN WEAPONIZED

A CONVERSATION WITH HISTORIAN **RALPH RAICO**



Ralph Raico, Professor Emeritus in European history at Buffalo State College is a Senior Fellow of the Mises Institute. He is a specialist on the history of liberty, the liberal tradition in Europe, and the relationship between war and the rise of the state. For many years, he was a close friend and colleague of Murray Rothbard.

THE AUSTRIAN: Among those of us who are very laissez-faire, Europe's liberal nineteenth century seems like ancient history, and people like Richard Cobden seem to be incredibly far from what is now the mainstream. And yet, leftists seem to believe that "neoliberalism" (i.e., the ideology of "limited government") is making gains everywhere. Can you put things into perspective for us? Historically speaking, how much cache does liberalism have right now?

RALPH RAICO: Yes, today Cobden is far from the mainstream, which is a pity. He was the best classical liberal (or libertarian) theorist of international relations who ever lived, and his incisive critiques of the greatest empire of his day, Britain's, are totally pertinent to the greatest empire of our own time, America's.

Leftists generally have been mistaken regarding our philosophy. What is called "neoliberalism" is in reality simply a center-right point of view, far from what authentic liberalism meant historically — so-called neoliberals include the Christian Democrats in Germany and Italy, for instance, and the Conservatives in Britain. The true anti-state position is represented by a number of relatively small groups, most of them associated with or inspired by the Mises Institute itself.

TA: In your lectures, you have noted that it was really the liberals who came up with "class analysis" which Marx later incorporated into his own work. What can we learn from this today?

RR: Liberal class analysis predated the Marxist version and in fact inspired it, as Marx and Engels freely admitted. It originated in France in the early nineteenth century, with the

Industrialist school, but it permeates the whole history of liberalism and libertarianism, from Cobden and John Bright to Herbert Spencer, the great Gustave de Molinari, in America Albert Jay Nock and Frank Chodorov, and to the present day. It was central to the political outlook of Murray Rothbard. Liberal class analysis holds that history is indeed a struggle between two classes.

But these classes aren't the "bourgeoisie" and the "proletariat," as Marxism holds is the case in modern times. Rather, one group is composed of the beneficiaries of state action, the other of its victims. State subsidies and prohibitions, state-granted contracts and monopolies, tariffs, central banking and the manipulation of the currency, imperialism, above all preparing for and waging war — historically, the state's preeminent business — these serve the interest of a favored few and are detrimental to the interests of everyone else.

TA: Much of Europe seems excited about belligerence toward Russia, combined with periodic attacks on African and Middle Eastern countries. Does the ghost of colonialism and nationalism still live among Europeans? Perhaps in some sort of mutated form?

RR: Mass democracy, as its nineteenth century liberal opponents foretold, inevitably devolves into a contest of contending forces, motivated by corrupt self-interest, either directly financial or ideological. (A superb dissection of this phenomenon, incidentally, is provided by my friend, Hans-Hermann Hoppe, in his *Democracy: The God that Failed*.) "Democracy" has become a concept weaponized by the US government in its global power struggles.

Russia provides an excellent example. Vladimir Putin, for all his faults, has assisted the cause of peace and freedom on a number of fronts. Let's not forget that he granted asylum to the heroic whistleblower Edward Snowden, who, if the US and its European lapdogs had had their way, would have been condemned to torture and probably found hanged in his cell. Putin has successfully resisted American attempts, under the pretext of spreading democracy, to destabilize his country and subordinate it to US world hegemony, and he has blocked such attempts elsewhere, as in Syria (so far).

The old colonialism is still at work today, obviously so in the Middle East. Here it isn't the European powers that are primarily involved, but the sole would-be hegemon,

the United States. The great majority of Americans have little interest in and virtually no knowledge of foreign affairs. So, again, control falls into the hands of those who have a very definite interest and know exactly what they want.

The classical period of imperialism extended from the last decades of the nineteenth century to 1914. Historians have long since amply demonstrated the role of specific economic players in the home countries, as well as the role of the driving ideology, basically white supremacy. In the present time in the Middle East, the parts played by financial interests, the great oil companies, for example, and by supremacist ethnic groups are also clear. By a great irony, today colonialism in the narrow sense — the migration of populations to foreign lands — is the reverse of what occurred in the past.

As the headlines show us daily, it is the formerly subject peoples, in north- and sub-Saharan Africa, as well as the Middle East, vast hordes of blacks and Arabs, who are migrating to, really, invading, Europe. A *Camp of the Saints* situation is developing which, if not sternly checked, will result in the death of the old continent, the mother of modern civilization.

TA: Among liberals, the idea of "the small policy" once held sway, albeit not without enduring extensive criticism from those who held it to be too prosaic. It seems that militaristic rhetoric has won out, but at the same



time, there has not been a war among major powers for seventy years. Is it possible that economics has precluded war for many, even if few are willing to say so?

RR: Militaristic rhetoric does seem to have won out. Many millions who couldn't locate Iraq or Afghanistan on a map rush to support American aggression against those unfortunate countries. While there is extensive warfare in many places around the globe it's true that war between the major powers, principally the US and Russia, has been avoided.

It seems to me, though, that the basic reason is that such a war, between two nuclear-armed nations, would mean the end of all ordered society. The ruling elites on both sides realize this and have, thankfully, refrained from blowing up the world. What would happen if Israel ever decides to exercise the Samson Option, however, is unclear but very troubling.

TA: It is perhaps an irony that liberalism gained strength alongside a strengthening of support for the nation-state as an ideal. This was when politicians like Bismarck succeeded in consolidating state power. What do you see as the trend in this respect here and now in the twenty-first century?

RR: The liberals inherited an older order containing elements of feudalism and of seventeenth- and eighteenth-century mercantilism. To sweep these away, they considered it necessary to establish a strong central state power capable of overcoming localized resistance. The guild system and commercial regulations by the towns, for instance, had to be abolished. This was the

case in Germany, where the liberals allied with Bismarck in the 1870s and were actually his main support. When the great chancellor turned against his allies, starting in 1879 with the introduction of protectionism and then in the 1880s with his creation of the modern welfare state, the liberals still for the most part refused to admit their basic error. That was their lack of understanding that in modern times the one great enemy of liberty and general prosperity is the centralized bureaucratic state — what the English liberal Thomas Macaulay already in 1830 characterized as “the all-devouring state.”

As an aspect of their confusion, most of the liberals joined Bismarck in his *Kulturkampf*, or campaign against the Catholic Church. They did not grasp that such institutions as the Christian churches, made appropriately voluntary, could be powerful allies in the struggle for a free society.

As to how I see the trends: well, I am not an optimist, in the manner of Murray and Lew. Frankly, I tend more toward Bob Higgs's stoic pessimism. I find the younger generation to be by and large brainwashed by the public schools and otherwise docile. The media, whenever they touch on politics, are eager servants of the political powers that be. Overall, a stultifying conformism seems to be the order of the day. The Mises Institute keeps fighting the good fight although it's against great odds. They make highly skillful use of the Internet, which has so far resisted efforts to tame it. But for how much longer? Still, my somewhat bleak assessment may be completely mistaken. As Yogi Berra said, “predictions are hard to make, especially about the future.” ■■■



Scholar and Alumni News

Recent news from our supporters, alumni, and scholars



LEW ROCKWELL

The Mises Institute of Brazil recently named **LEW ROCKWELL** as the first “Distinguished Honorary Member” of the Institute. This wasn’t the first time Mises Brazil has so kindly honored Rockwell, however. Helio Beltrão, the founder of Mises Brazil, reminds us that Lew has already been given a “special lifetime membership” at his organization.



HARRY VERYSER

Associated Scholar **HARRY VERYSER** organized and hosted a symposium at University of Detroit-Mercy (UDM) called “The Illusion of Prosperity.” The symposium featured a number of Mises University alumni including Joseph Weglarz, lecturer at UDM; Matthew Fisher, assistant professor at Ivy Tech; Joshua Long, associate professor at Indiana Technological University; and David Breuhan, vice president and portfolio manager with Gregory J. Schwartz and Company, Inc.



HENDRIK
HAGEDORN

Former Mises Fellow and economist **HENDRIK HAGEDORN** has recently joined with economist Stefan Kooths to create a new Berlin-based master’s degree program in Austrian economics. The program is part of the Business and Information Technology School (BiTS) in Berlin and is the first English-language Master’s program in Europe that combines Austrian economics with management science. The program is set to open for the summer term of 2016.

Mises University Alumnus **TYLER XIONG** was featured in *Bloomberg* on December 2, 2015. Xiong is featured as a representative of a new rising generation of young Chinese entrepreneurs. *Bloomberg* reports that “after two years working in Shanghai as a manager at chewing gum maker William Wrigley Jr., Xiong decided the rat race wasn’t for him. He took off to Spain to study Austrian Economics; last year he co-founded a Bitcoin startup in Beijing.” Xiong has also been instrumental in the translation of numerous books by Austrian economists into Chinese.



Mises Circle Alumnus **JOE FARRELL** has recently opened Rothbard Ale + Larder, a new “European gastropub” in downtown Westport, Connecticut. *Westport News* reported in December that the pub’s name is “a nod to Murray Rothbard, an American economist and political writer.” The restaurant specializes in central European cuisine, with dishes like wiener schnitzel, bratwurst, moules et frites, coq au riesling, pork goulash, raclette, choucroute garni, and tarte flambé featured on the hearty menu.



Former Mises Fellow **JAMES YOHE**, now an instructor of economics at Gadsden State Community College, visited the Mises Institute in November with a group of over 20 students. The students attended short talks by Mises Institute President **JEFF DEIST**, Senior Fellow **MARK THORNTON**, and Mises Fellow **JONATHAN NEWMAN**.

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